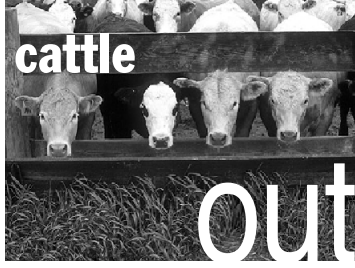


Cattle Prices Expected To Increase Enough To Offset Production Costs



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USDA's current estimate of beef production is for a very small increase in 2008 from 2007. However, all of the increase is in the first nine months with a 4.8 percent decline forecast in the fourth quarter of 2008 from 2007.

USDA current estimate of fed cattle prices for 2008 is \$88-93 per cwt. This compares with a price of \$91.82 per cwt in 2007. USDA estimate for the fourth quarter fed cattle price is a range from \$86-94 per cwt. The futures market for live cattle in midweek was roughly \$101.50 per cwt for October and \$103.60 for December.

The prices for cattle will eventually increase enough to offset the high production costs but it looks like the futures market is expecting the prices to increase earlier than it is likely with the slow decrease in the size of the cattle herd.

The US beef industry will eventually adopt a system of cattle production that uses more forage for cattle due to the high corn prices. However, this will require selling off more of the cow herd in order to have the pastures and range to grow the young cattle to heavier weights. The transition is moving quite slow.

The current data would suggest the October and December live cattle contracts are \$6-10 per cwt higher than fed cattle prices are likely to

be when we get to the fourth quarter of 2008.

USDA current estimate of beef imports for 2008 is an increase of about 0.6 percent from 2007. However, USDA is forecasting an increase of beef exports of 7.6 percent in 2008 from 2007 this looks low to us.

The weighted average negotiated live fed cattle prices for the five-market area at \$89.13 per cwt through Thursday were down \$1.74 per cwt from a week earlier. The weighted average negotiated carcass price for the five-market area through Thursday at \$145.60 per cwt were up \$0.28 per cwt from seven days earlier.

The wholesale price for Choice beef Friday morning at \$142.39 per cwt down \$5.24 per cwt from last Friday. Select beef prices were at \$142.02 per cwt down \$3.63 per cwt from a week earlier.

Beef exports for January were up 35.1 percent from a year earlier. The USDA beef exports estimate for the year at about an 8 percent increase, looks low to us.

Feeder steer and heifer prices unevenly steady to \$3 per cwt lower. Stocker steers and steer calves \$2-4 per cwt higher and stocker heifers and heifer calves \$1-2 per cwt higher than last week at Oklahoma City.

The price range by weight groups for medium and large frame number one steers this week were: 400-500 pounds \$125-136 per cwt, 500-600 pounds \$114-129.5 per cwt, 600-700 pounds \$105-118.75 per cwt, 700-800 pounds \$100.25-114 per cwt and 800-1000 pounds \$188.25-98.50 per cwt.

Slaughter this week under Federal Inspection was estimated at 641 thousand head, up 1.6 percent from a year earlier. Δ