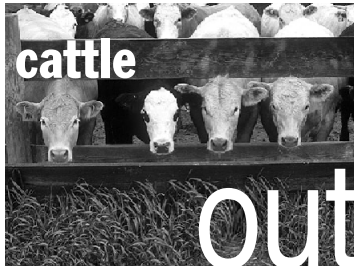


JBS Buying Spree Dims Prospects For Cattle Price Improvement



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The big news this week was the Wednesday buying spree of JBS S.A., owner of Swift Packing. They entered an agreement to acquire U.S. Premium Beef and National Beef Packing Company for \$465 million in cash and \$95 million in stock. JBS is also buying the Smithfield Beef Group for \$565 million. This agreement includes Smithfield's 7,600 head per day cattle processing capacity and Five Rivers Ranch Cattle Feeding, which has a one-time capacity of 811,000 head. If the deal receives regulatory approval, JBS will have 50 percent more U.S. cattle slaughter capacity than either Tyson or Cargill. JBS also announced on Wednesday an agreement to buy The Tasman Group, Australia's largest multi-species meat processor. The net returns of U.S. beef packers have been poor and the prospects for improvement are not good.

Packer bids for fed cattle were lower this week. The 5-area daily weighted average price for slaughter steers sold through Thursday was \$90.87/cwt on a live weight basis, down \$1.32 from a week earlier and \$6.98 lower than a year ago. Steers sold on a dressed basis averaged \$145.32/cwt, \$2.64 lower than the week before and \$9.74 lower than the same week of 2007. The normal late winter rally in fed cattle prices has not occurred this year causing feedlot closeouts to be very disappointing.

Choice boxed beef cutout values were lower this week. On Friday morning, the choice carcass cutout value was \$1.4763/pound, down 2.4 cents for the week. The select cutout was down 0.86 cents from the previous Friday to \$1.4565 per pound. At a bit under 2 cents, the choice-select spread is very tight right now.

The April live cattle futures contract ended the week at \$90.525/cwt, down \$3.79 for the week. June settled at \$92, down \$3.32 from the week before. August settled at \$96.325/cwt. The futures market is optimistic about fed cattle prices in late 2008. The October live cattle contract ended the week at \$101.65, December closed at \$103.175 and February 2009 settled at \$104.925/cwt.

Federally inspected cattle slaughter for this week totaled 640,000 head, up 0.9% compared to a year ago. Steer carcass weights have been above year-ago levels each of the last six weeks. It looks like February steer dressed weights will average close to 10 pounds above year ago.

Cow slaughter continues to run high. During the first 8 weeks of 2008, dairy cow slaughter is up 1.9 percent and beef cow slaughter is up 7.2 percent compared to the same weeks last year. The carrying capacity of the nation's pastures is most likely going to decline. Farmers are converting some pastures to cropland to take advantage of the record high crop prices. Fertilizer prices are also at record levels, so increasing grazing through enhanced fertility isn't likely.

Cash bids for feeder cattle were lower this week. The price ranges at Oklahoma City for medium and large frame steers were: 450-500# \$119-\$126, 500-550# \$120.50-\$124.50, 550-600# \$113.50-\$120.50, 600-650# \$107.50-\$115, 650-700# \$105-\$112.50, 700-750# \$99.85-\$108.85, 750-800# \$94-\$103.75, and 800-1000# \$89-\$99.50/cwt. Δ