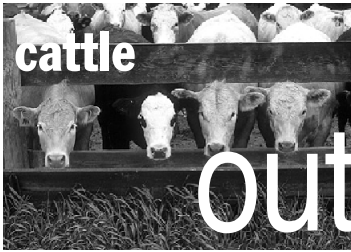


Meat Industry May Face Downsizing Due To Limited Feed Supply



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This week USDA lowered their estimates of the 2010 corn and soybean crops. They also cut their forecast of the amount of corn that will be fed in the current marketing year by 100 million bushels and increased their estimate of corn for ethanol by 100 million bushels. They are predicting that 38 percent of this fall's corn harvest will be milled for ethanol. The midpoint of USDA's price estimate for the 2010 corn crop is \$5.20/bushel, \$1 above the record held by the 2007 corn crop.

It appears the meat industry will have to undergo another round of downsizing to stretch the limited feed supply. The cattle industry has not stopped reducing the herd from the last round of red ink. Year-to-date slaughter of cull cows is up 4.1 percent compared to the same period last year. USDA is forecasting 2011 beef production will be down 1.6 percent.

The boxed beef cutout declined again this week. On Friday morning the choice boxed beef carcass cutout value was \$1.5639/pound, down 2.04 cents for the week. The select cutout was down 2.26 cents from the previous Friday to \$1.4822 per pound.

Fed cattle prices were slightly higher this week. The 5-area daily weighted average price for slaughter steers sold through Thursday of this week on a live weight basis was

\$97.69/cwt, up 5 cents from a week earlier. Steers sold on a dressed weight basis this week averaged \$155.77/cwt, \$1.84 high than the week before. A year ago slaughter steer prices averaged \$83.68/cwt live and \$131.18/cwt dressed.

This week's cattle slaughter totaled 661,000 head, up 1.5 percent from the previous week and up 5.4 percent compared to the same week last year. This was the 18th consecutive week with cattle slaughter above the year-earlier level. Year-to-date beef production is up 0.3 percent.

Steer carcass weights averaged 856 pounds during the week ending October 30. That was down 4 pound from the week before, but 5 pounds heavier than a year ago. This was the first week since the week ending November 21, 2009 with steer weights above the year earlier level.

Cash bids for feeder cattle this week were mixed. This week Oklahoma City price ranges for medium and large frame #1 steers were: 400-450# \$128-\$135, 450-500# \$121.50-\$130.50, 500-550# \$117-\$129, 550-600# \$108-\$124.25, 600-650# \$106-\$116.75, 650-700# \$104.75-\$115, 700-750# \$103.50-\$115.60, 750-800# \$101.50-\$114.50, and 800-1000# \$98.50-\$113.5/cwt.

The December fed cattle futures contract ended the week at \$98.40/cwt, up from \$97.55/cwt a week ago. The February contracted closed out the week at \$101.70/cwt and April settled at \$105.25/cwt.

December corn futures ended the week at \$5.34/bushel, down from \$5.88 the previous Friday. March corn futures lost 54 cents this week to end at \$5.48/bushel. Δ

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