

USDA Predicts Bright Future For Cattle Producers



**GLENN GRIMES AND
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Agricultural Economists,
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USDA's latest long-term forecast is for steady improvement in cattle prices. At their annual outlook forum, USDA predicted higher fed cattle prices each year for the next 9 years with prices for slaughter steers averaging slightly above \$100/cwt live in 2019. They expect the cattle inventory to bottom in 2011 and then expand very slowly. Cost of gain should not be a big problem if USDA's corn price forecast is right. They expect annual corn prices to stay between \$3.50 and \$4 for the next decade. By their nature, long run forecasts predict less volatility than will actually occur. It is hard to predict surprises, but they will occur.

Fed cattle prices were steady to weaker this week. The 5-area daily weighted average price for slaughter steers sold through Thursday on a live weight basis was \$89.71/cwt, down \$1.24 from a week earlier but \$8.24 higher than a year ago. Steers sold on a dressed basis this week averaged \$144.84/cwt, 29 cents higher than the week before and \$15.10 higher than the same week of 2009. Fed cattle prices should remain fairly strong for the next several weeks. The number of cattle placed on feed during November and December was low. During the last decade, April had the highest average fed cattle prices during the first half of the year.

On Friday morning, the choice carcass cutout value was \$1.4993/pound, up 0.34 cents for the week and 14.92 cents higher than last year. The select cutout was down 1.7 cents from the previous Friday to \$1.4807 per pound. The choice-select spread remains very tight.

This week's cattle slaughter totaled 617,000 head, down 2.4 percent from the previous week and up 2.3 percent compared to a year ago. Steer carcass weights averaged 831 pounds the third week of February which was 23 pounds lighter than a year ago. Steer weights have been below year-earlier levels for each of the last 13 weeks. The combination of higher slaughter numbers and lighter weights has left year-to-date beef production down 1.3 percent compared to the same period last year.

Cash bids for feeder cattle this week were mixed with some locations a higher and others a bit lower. The price ranges at Oklahoma City for medium and large frame steers were: 400-450# \$132-138.50, 450-500# \$124-136, 500-550# \$115-\$125.50, 550-600# \$113.50-\$125, 600-650# \$106-\$115, 650-700# \$101-\$109, 700-750# \$100.25-\$105, 750-800# \$96.75-\$103, and 800-1000# \$88.50-\$98/cwt.

The April live cattle futures contract ended the week at \$92.95/cwt, up \$1.03 for the week. June settled at \$91.57, up \$1.17 from the week before. August settled at \$90.20/cwt and the October live cattle contract ended the week at \$92.80.

Feeder cattle futures also were higher this week. The March contract ended the week at \$102.20/cwt, up \$1.15 from last Friday. April gained \$2.72 this week to settle at \$105.22/cwt.

Corn futures ended lower with the March contract off 13 cents for the week at \$3.64'6. Δ

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