

**A LITTLE BIT COUNTRY
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Corn Price and Southern Drought Impact Beef Market

High corn values and severe drought in the southern plains are impacting the entire industry. According to the Denver based Livestock Marketing Information Center (LMIC) feedlots recorded profits during the first four months of this year but cattle feeding returns have been mired in red ink the last four months.

Break even sale prices using current feedstuff costs for late this year are mostly in the \$128.00 to 130.00 per cwt. range. So, based on LMIC slaughter price forecasts (\$115.00 to 118.00 averages in the fourth quarter of 2011), red ink will continue on feedlot closeouts for at least the balance of this year. Feedlot losses will likely average well over \$100.00 per steer in September through December of this year. No doubt those large feeding losses will spill over into feeder cattle prices which will erode into the fourth quarter of this year. However, despite high feedstuff costs, tight feeder cattle supplies and year-over-year increases in fed cattle prices will keep animal prices above a year ago this fall, according to Jim Robb, LMIC Director.

Robb feels corn costs are more uncertain than normal and will determine how low feeder cattle prices decline this fall. Corn costs and prospects for fall/winter grazing will influence calf prices. Currently, the LMIC is projecting 700 to 800 pound steers in the fall will average about 15% above a year ago. That indicates a third to fourth quarter decline of \$3.00 to \$4.00 per cwt. For 500-600 pound steer calves, prices in the fourth quarter of this year are currently forecast to be about 12% above one year ago.

Over the long run, there is good reason to believe better times are not too far away-at the expense of cattlemen of Texas, Oklahoma and neighboring states. This region has experienced a severe drought forcing producers to reduce the size of their

herds. Most of the cows end up in the food chain. So far this year, cow slaughter of that region is 26% above 2010. This situation caused a significant drop in national cull cow prices this past July but price rebounded in August. Typically cull cow prices take a nose dive in September and tend to reach bottom by November. With early sell-off of southern cows and the relatively strong fed cattle prices, the seasonal fall cull cow market may not significantly decline this year.

U.S. beef producers recently gained one up on their counterparts of Australia thanks to consumers of Japan, one of that nation's supermarket chains and the beef check off funds.

One of Japan's leading supermarket chains, Ito Yokado, brought the message of the quality and value of U.S. beef middle meats to consumers through a special promotion. This was a significant shift for the supermarket which previously had focused on Australian middle meats at its 174 store locations throughout Japan. Ito Yokada now purchases all of its middle meats as U.S. product.