

Feeder cattle prices have tumbled in the last four weeks. Futures market-wise, the May contract price closed at \$151.52 per cwt. on April 18. As of Monday, the May contract closed at \$135.05, an 11% decline. Attitudes about the feeder cattle market for later this year are not much different than the nearby situation, as the November contract price has dropped by 10% during the same time interval.

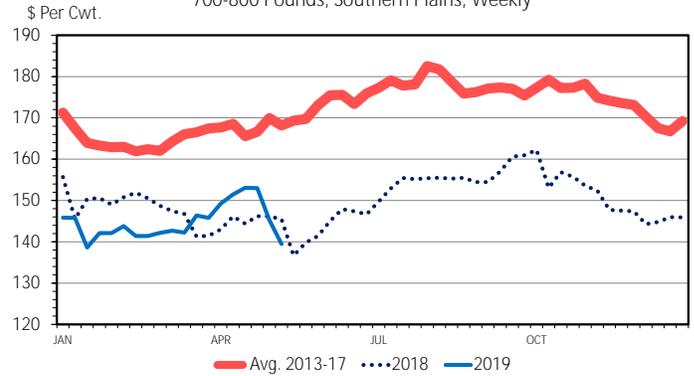
Feeder cattle prices at auctions from the third week in April to the second week in May have been a little more resilient than the futures market, registering a price decline of 4%. Prices settled at \$141.34 per cwt. for 750-800# steers last week in the Oklahoma City market. The decline in the futures market was spread out over close to a month. The decline in the Oklahoma City market occurred mostly in one week, with a \$7.50 decline during the week of May 3. These heavier weight feeder cattle prices had moved higher through late April, with a peak in the last week of the month, even though futures markets began to decline a week earlier.

Auction prices for feeder cattle by region have trended similar to the Oklahoma City market although the timing of the price declines was one week earlier or later, depending of the region. In the case of Texas markets, as reported by USDA-Agriculture Marketing Service (AMS), the price declines started a week earlier (April 19, similar to the futures market trend), with a total decline of 8% over the next two weeks. It is interesting to note that Texas feeder cattle prices have been able to post higher prices since the last week in April.

Offerings of feeder cattle through trade channels, as measured by USDA-AMS market receipt data showed robust volumes for April. The decline in feeder cattle prices coincided with a slow down in trade volume as April came to a close, possibly indicative of cattle choosing to keep cattle on the new grass of spring instead of selling at lower prices.

The relationship between feeder cattle and slaughter cattle

MED. & LRG. #1 FEEDER STEER PRICES
700-800 Pounds, Southern Plains, Weekly

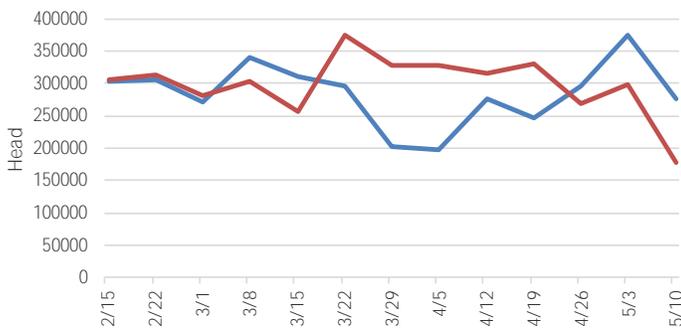


Data Source: USDA-AMS
Livestock Marketing Information Center

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prices can be a helpful indicator of seasonal price direction for feeder cattle. Currently, prices for 750-800# feeder steers are at a \$15-\$20 premium to slaughter cattle prices. This spread usually doubles by the end of June. The futures market price for slaughter cattle in June is around \$110 per cwt. A normal spread at the end of June has been \$35-40, suggesting a feeder cattle price of \$145-150. Last week's price for 750-800# feeder steers in Oklahoma City was \$141. The reduced offerings of feeder cattle represented by the weekly auction data implies tightening supplies that should be supportive for higher prices. The emerging trend of feeder cattle prices in Texas could also broaden to other regions.

FEEDER CATTLE RECEIPTS

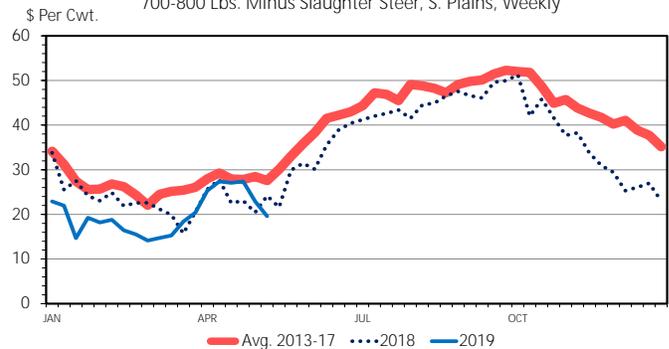


Source: USDA-AMS SJ LS850
Livestock Marketing Information Center

— Last Year — This Year

FEEDER STEER vs FED STEER PRICES

700-800 Lbs. Minus Slaughter Steer, S. Plains, Weekly



Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

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