

THE MIDWEST

Quality and reputation sold best this week. When folks know that good calves are coming in, they rush to get their hands on them due to the fact that they just can't wait another year. Calves are excellent this week, yet we are still seeing producers paid half of what they've received in previous years. Everyone is hoping that the market finds bottom soon, but some folks have sadly accepted the current conditions. Cattle trade is down for the fifth straight week. One packer said he didn't want cattle until November 13th; another packer said he was still about 2-3 weeks out from buying. Packers haven't shown much interest in the market yet this week - expect a more calculated move towards Friday. Packers are profiting \$250-275 per head on cattle that they've owned for less than 24 hours. Lots of eyes are watching to see what happens next.

NUMBERS: Fat Cattle are coming in steady with a strong undertone. Five weights are at \$1.25-1.30 per pound, with one sale reaching a high of \$1.40. Six weights stood between \$1.20-1.25 per pound this week. Seven weights topped out at \$1.22 per pound. Packers are bidding boxed beef from \$1.52 to \$1.53 per pound. 'Select' meat grade is seeing a price bump of \$1.71.

GOOD NEWS: One source commented, "We couldn't have asked for better weather this fall. Everyone is staying busy with weaning, pre-checking, and shipping" Another source chimed in, "Harvest is in full swing and yields have been great."

THE WEST

This week, the common theme resonating in sale barns and feed yards across the West is unity. One source was more frank than the others: "Fat cattle are selling for under a dollar, yet restaurants are pricing their steak at \$30. The math just doesn't add up. Once again, the problem is that the packer has no competition. We drove our own calf market down because we wouldn't make a stand. We were willing to accept rather than demand. Don't settle for the short term pay-outs. Stand united and see the process through." Another source added in, "If you don't like the prices, then damn! Do something about it! It is essential that we keep as many independent 1,000 head operations in business as possible."

The market is saturated with sellers, yet we have too few buyers to soak up the mess. Understandably, part of the problem is that buyers are unable to get financing from the bank due to last year's losses. The uncertainty in the presidential election is worrying some producers who are looking to sell cattle after November 8th.

NUMBERS: Across the board, heifers were 10 cents back. Feeders were trying to match the board. Carcass weights are getting to be just too big. Five weights were at \$1.15-1.25 per pound. Six weights stayed near \$1.50 to \$1.25 per pound. Still, five weights were up \$5-8 more than last week. Futures dropped more than 200 points this month.

CALF RUN: We've heard that fats may drop to \$0.92 per pound, which would send calves to selling well below a dollar. Unsold calves are creating a panic - folks want the calves and the accompanying headache gone. The recommendation we've heard the most is to wean calves at home, feed them until January and consider insurance.

THE WEST *(continued)*

As one source put it, "If we don't start getting some wins, the only way a cow-calf operation will be able to profit is if he or she raises calves all the way up to kill. Which most folks are unable to do." There might be money to be made, however, if you can buy calves and find cheap feed.

OUTLOOK: We asked folks this week if the cattle industry is heading towards vertical integration, as seen in the hog industry. Here are a few responses:

"No, and here's why. We cannot make as predictable of a profit. Pork producers know down to the minute when a sow will farrow. Cattle are not that predictable. We'd also need more resources at a time when land is already too expensive. "

"Instead of vertical integration, I think we'll see a system where the big feeders form alliances amongst each other. These alliances will be based on performance in cattle. In this system, a producer would agree to raise cattle to a certain weight, pre-condition, and deliver on a pre-set date. The feeder would then feed calves to a certain weight; if the producer's calves excel on performance criteria, the producer would receive another payment. The feeder would then send the calves to be killed. If the calves have higher performing carcasses, the producer receives another percentage-based payment. This system would be a banker's dream because the producer is receiving payment throughout the year."