

This Week In The Cattle Markets^{*}

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Pasture Conditions Declining

Pasture conditions continue to deteriorate as drought conditions persist in the West and Great Plains states. USDA, in its pasture and range conditions ratings for the week ending July 14th, indicated that 39% of U.S. pastures were in either poor or very poor condition. This was worse than last year's rating of 26% and the five-year average of only 18%.

Pastures in the West and Great Plains states continue to suffer the most. Nearly 52% of pastures in Western states were in poor or very poor condition, compared to a five-year average of 19%. Similarly, 66% of Great Plains pastures were rated poor or very poor, compared to a five-year average of 13% and last year's 22% rating. Corn Belt pasture conditions, which were above average through mid-June, have deteriorated over the last four weeks. In mid-July, 22% of Corn Belt pastures were in either poor or very poor condition, compared to a five-year average of just 11%. A month ago less than 6% of Corn Belt pastures were in poor or very poor condition. In contrast to the Corn Belt, pasture conditions actually improved in the Southern Plains, the result of recent rains in Oklahoma and Texas. As a result, 23% of Southern Plains pastures were in poor or very poor condition, about the same as the five-year average, but down from 34% just two weeks ago.

Poor pasture conditions, and poor feed prospects for this winter, have encouraged cattle producers, especially in the West and Great Plains, to cull cows. So far, the impact on cow slaughter has been modest. Most of the cows culled this spring were sold to producers in other parts of the U.S. for restocking. Through the end of June, beef cow slaughter was 1.4% below a year ago. During May, weekly beef cow slaughter fell about 6% below last year. However, during June, as culling increased, weekly beef cow slaughter rose 3% above a year ago. Trade reports indicate cow movement picked up in early July. So, if drought conditions persist, culling activity will increase the rest of the summer leading to even larger increases in beef cow slaughter.

The Markets

Slaughter cattle prices declined last week, with the bulk of the Kansas trade occurring on Friday at \$63. USDA's weekly weighted average price for Kansas slaughter (35-65% Choice) steers was \$62.83/cwt., about \$1 lower than the previous week and 11% below a year ago. Nebraska slaughter steers (35-65% Choice) averaged \$97.20/cwt., dressed weight, down from \$99.01 the previous week. USDA's estimate of the light Choice boxed beef cutout averaged \$108.75, down 3% from the prior week and 6.4% below a year ago. The light Choice-Select spread averaged \$4.09, virtually unchanged from the prior week, but down over \$2 compared to the year ago average of \$6.30. Prices for 700-800 pound steers at Dodge City averaged near \$79.90, up nearly 5% compared to the prior week, but 14% below last year.

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