In The Cattle Markets*

July 22, 2002

Darrell Mark, Ph.D.
Asst. Professor, Department of Agricultural Economics, University of Nebraska

Cattle on Feed and Cattle Inventory

USDA reported the number of cattle on feed was 10,487,000 head on July 1, 2002. This represents a decline of 4.8% compared to last year and the third month of year-to-year reductions in the on-feed inventory. Net placements in June were almost 16% lower compared to a year ago, and nearly 2% lower than the five-year average. Placements of cattle weighing less than 800 pounds were down more than 18%, whereas placements of cattle weighing more than 800 pounds declined only 8.2%. The large decrease in placements last month is a reflection of cattle feeders' continued losses, averaging $75/head since the beginning of the year. The lower placements noted in last week's report will be supportive to fed cattle prices in the fourth quarter; however, the relatively larger proportion of placements weighing more than 800 pounds will tend to limit price increases in the short run. Further, the number of cattle on feed more than 120 days is 23% higher than the five-year average. The number of cattle marketed in June 2002 was down 2.2% compared to last year. However, June 2002 had one less marketing day than June 2001. The reductions in cattle on feed, marketings, and placements were generally close to the trade's pre-release estimates.

The trade's pre-release estimates of the cattle inventory were slightly lower than USDA's inventory estimates, released last Friday. All cattle and calves in the United States on July 1, 2002, were 0.6% lower than a year ago, at 105.2 million head. This is a decrease of nearly 7% compared to 1995, the most recent inventory peak. The largest inventory decreases were in Colorado, Kansas, Montana, and Nebraska where drought is causing poor range conditions. The number of cows and heifers that have calved remains nearly the same as last year, with a 0.4% decrease in beef cow and 0.5% increase in dairy cow numbers. After declining for seven years, the number of beef heifers for replacements remained the same as the previous year. Drought conditions throughout the western states likely prevented an increase in beef replacement heifer numbers. USDA estimated the 2002 calf crop to be 38.4 million head, 0.3% higher than last year and 1.1% higher than the average trade estimate.

The Markets

Slaughter cattle prices were higher last week, with the bulk of the trade occurring late on Friday at $63 to $64 in the southern plains and $99 to $100, dressed weight, in the north. Nebraska slaughter steers (35-65% Choice) averaged $99.67, dressed weight, up 2.5% from last week. USDA's weekly weighted average price for Kansas slaughter steers (35-65% Choice) was $63.82, about $1 higher than the previous week. USDA's estimate of the light Choice boxed beef cutout was $108.78, up $0.03 from the previous week but down $9.29 from a year ago. The light Choice-Select spread averaged $4.36, over 6% higher than last week, but down 27% compared last year. Average feeder cattle prices across seven markets in Nebraska last week were steady to higher, with 700-800 pound steers averaging $81.50. This compares to about $80 last week and $95 last year.

---

* A weekly newsletter jointly produced by Kansas State University and the University of Nebraska.