

In The Cattle Markets

July 29, 2002

James Mintert, Ph.D.

Professor, Department of Agricultural Economics, Kansas State University

Dry, hot weather continues to plague the Great Plains and West. As a result, many cow-calf operations are weaning calves and culling cows earlier than normal. But most of the cows that moved through auctions in recent weeks were shipped to better pastures, instead of to slaughter. For example, beef cow slaughter during the first half of July was actually 1.4% smaller than in 2001. Dairy cow slaughter was above a year ago and, as a result, total cow slaughter during the first two weeks of July was 1.3% larger than last year. The modest decline in weekly beef cow slaughter during July followed a small increase (3.2%) during June.

Beef cow slaughter could still rise above last year's level over the next few weeks as continued deterioration in pasture conditions encourages even more herd liquidation in the West and Plains states. One of the keys to cow slaughter will be pasture and crop conditions in the Corn Belt this summer. If Corn Belt conditions hold up during August, it's likely to hold down cow slaughter levels during late summer and fall.

Beef exports rebounded modestly this spring, according to USDA. During the January-March quarter total beef exports rose less than 1%, compared to 2001. The beef export picture brightened during April-May, however, as total beef exports rose 19% above the previous year. Although beef exports to Japan were down (-28%), exports to Mexico (+40%) and S. Korea (+252%) both increased. The huge increase in beef exports to S. Korea was probably tied to the World Cup. As a result, U.S. beef exports to S. Korea are expected to weaken this summer as the temporary demand boost provided by the World Cup subsides.

The Markets

Slaughter cattle prices drifted lower last week, with the bulk of the Kansas trade occurring near the end of the week. USDA's weekly weighted average price for Kansas slaughter (35-65% Choice) steers was \$62.88/cwt live weight and \$98.51 dressed weight. The live weight price was about \$1 lower than the previous week and 12.6% below a year ago. Nebraska slaughter steers (35-65% Choice) averaged \$99.24/cwt., dressed weight, down slightly from \$99.67 the previous week. USDA's light Choice boxed beef cutout averaged \$110.09, up 1.2% from the prior week, but nearly 10% below a year ago. The light Choice-Select spread averaged \$4.47, virtually unchanged from the prior week, but down \$1.08 compared to the year ago average of \$5.55. Prices for 700-800 pound steers at Dodge City averaged near \$79.41, up about \$1.70 compared to the prior week, but still nearly 13% below last year. The same weight steers at seven Nebraska markets averaged \$82.18/cwt., up slightly compared to the prior week's average of \$81.50.