

In The Cattle Markets*

August 5, 2002

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Cattle Inventory versus Production

The USDA recently released the mid year cattle inventory report. This report indicated there were 33.75 million head of beef cows in this country. That is down 0.5 percent from the 2001 number and down 6.5 percent from 36.5 million head in 1995. Cattle numbers peaked in 1995 for the current cattle cycle. Producers often ask why they are not receiving higher prices and why they are not more profitable, given this reduction in cattle numbers. In fact, total cattle numbers are down more than 30 percent from the mid 1970's level.

However, looking at total beef production over this same time period reveals an entirely different scenario. Total beef production in 2000 set a record level. Not only was it greater than in 1995 when cattle numbers were at the peak for this cycle, but it was also greater than the production level of the mid 1970's when there was 30 percent more cattle in the country. This year beef production will again be close to the level of 2000.

Why has production of beef increased when cattle numbers have declined? There are several possible answers, but in general we have changed how we manage cattle in response to market signals and in response to technological and biological advances. Fed cattle are being marketed at a younger age (more calf feds and fewer yearlings) and at heavier carcass weights. Weights have been trending up about 5 pounds per year since the 1970's. This year carcass weights are up 30 pounds, 4 percent, relative to 2001.

The reality of the cattle industry is that it takes fewer cattle and fewer cowboys today to supply the same amount of beef than it took just a few years ago.

The cattle market has endured a number of negative events this past year that have weakened the cattle market. Heavier cattle weights have not been on the front pages like stories on BSE, e-coli 0157-H7, Russian poultry ban, etc. but cattle weights and total beef production certainly have pressured prices lower.

The Markets

Slaughter cattle prices held even last week, with the bulk of the trade occurring late in the week at \$62 to \$63 in the southern plains and \$98 to \$100, dressed weight, in the north. Nebraska slaughter steers (35-65% Choice) averaged \$99.43, dressed weight, compared to \$99.24 the previous week. USDA's weekly weighted average price for Kansas slaughter steers (35-65% Choice) was \$62.63. USDA's estimate of the light Choice boxed beef cutout was \$109.54, down \$0.55 from the previous week. The light Choice-Select spread averaged \$5.10, compared to \$4.47 the prior week. Average feeder cattle prices across Nebraska last week were steady to higher, with 700-800 pound steers averaging \$82.31 and 500-600 pound steers averaging \$92.38.

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