

In The Cattle Markets

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Cattle feeders continue to lose money. Losses accruing to a standardized monthly yearling feeding program averaged \$80 per head from May 2001 through August 2002. And losses this summer likely ranged from about \$50 to \$90 per head for many cattle feeders. These dismal returns continue to discourage cattle feeders from placing cattle on feed.

USDA's *Cattle On Feed* report, released on Friday, August 16th, indicated net placements of cattle on feed (U.S.) during July fell 7% below a year ago and were 4% smaller than July's five-year average. This was the fourth month in a row that placements of cattle on feed fell below 2001's.

Placements on feed were smaller across all weight groups, except among cattle weighing 800 pounds and over. Placements of cattle on feed in this heaviest weight group were actually 10% larger than last year and less than 1% below the July five-year average. Placements of cattle weighing from 700 to 799 pounds were smaller than last year, but only by 2.5%. So, the bulk of the placement decline was focused on cattle weighing less than 700 pounds. Rising feed grain costs will continue to discourage placement of light-weight cattle on feed.

The decline in placements, and rise in marketings, during July combined to push the August 1 on feed inventory 7% below a year ago. This compares to year-to-year reductions of 5% and 2%, on July 1 and June 1, respectively.

Cattle slaughter could be slowing down, although weights remain heavy. Weekly slaughter during the first half of August averaged just 2% larger than last year, down from an increase of about 4% during July. Weights remain very heavy, as steer weights averaged 3.5% above last year the last week of July. So, even as slaughter slows down, beef production will remain above last year because of the affect of heavy weights.

The Markets

Slaughter cattle prices rose over \$2.00/cwt. (live weight) last week, with the bulk of the Kansas trade occurring at \$64, which was still nearly 9% lower than a year ago. USDA's weekly weighted average price for Kansas slaughter (35-65% Choice) steers was \$63.86/cwt live weight and \$101.01 dressed weight. Nebraska slaughter steers (35-65% Choice) averaged \$101.62/cwt., up nearly \$3.00 from the prior week's average of \$98.86. USDA's light Choice boxed beef cutout averaged \$110.13, up 1.5% from the prior week, but 8% below a year ago. The light Choice-Select spread averaged \$7.11/cwt., up \$1.22 compared to last week and up \$2.34 compared to two weeks ago. Prices for 700-800 pound steers at Dodge City averaged about \$81.75, about \$2.50 higher compared to the prior week, despite the rise in corn prices. The same weight steers at seven Nebraska markets averaged \$84.49/cwt., \$1.12 higher than the prior week's average. The weighted average price for 500-600 pound steers at four Kansas auctions last week was \$89.31/cwt.