

# **In The Cattle Markets\***

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There is still life in the cattle market! Cash prices were at the highest level since late spring and packers seemed eager to own cattle early in the week. Perhaps the long awaited, oft talked about reduction in showlists has arrived. The bull traders in Chicago also got wind of the improved cash trade and pushed the near-by October live cattle contract to \$70. It was April when the near-by board last displayed \$70. These events are encouraging for feeders who have spilt more red ink than the packers have spilt red blood in the last several months. The talk now is for a fed cattle market to be in the \$68-\$70 range for most of the 4<sup>th</sup> quarter. If this occurs, it will be supportive of higher calf and feeder prices this fall.

Before we all forget about price protection, and bet the farm/ranch/feedlot on higher cattle markets, there are some lingering concerns that will continue to weigh on the market. One problem is the board's premium to cash. This unusually wide basis will tear the head off of any hedger who sells fed cattle in this market. First delivery notice is three weeks away and that is a long time to hold cattle. The expectations of higher fed cattle prices in the future will not alter the trend towards heavier fed cattle weights.

Another concern is the number of fat hogs going to market. Lean hog prices are currently about \$36 or \$25/cwt live. If the hog market can maintain that level for the next couple of months, that will not be too detrimental to cattle prices. However, if the number of hogs going to market challenge the slaughter capacity, then hog prices could drop into the teens or perhaps single digits on a live basis. This would negatively impact the fed cattle market.

The Russian poultry war is suppose to be over. But like all wars, there is a mess left behind. In this case, the meat case is full, the freezer is full and not just full of birds but full of beef and pork as well. Total red meat and poultry in cold storage is at record levels. So, even though we may be reducing the fresh supply of beef, there will be an ample supply of red meat and poultry on the market in the 4<sup>th</sup> quarter.

One final comment – keep reading, this one is positive. It appears from preliminary data that beef demand in 2002 will be at least as strong as in 2001 and likely be a little stronger. That is great news when you consider the size of the total meat supply and the general state of the economy.

### **The Markets**

Slaughter cattle prices were \$2-3 higher last week, with the bulk of the trade occurring in the southern plains at \$65 to \$66 and trade occurring in the north at mostly \$102 dressed. Nebraska slaughter steers (35-65% Choice) averaged \$101.92, dressed weight, compared to \$99.71 the previous week. USDA's weekly weighted average price for Kansas slaughter steers (35-65% Choice) was \$66 compared to \$63.72 the previous week. USDA's estimate of the light Choice boxed beef cutout was \$109.50, up \$0.06 from the previous week. The light Choice-Select spread averaged \$8.87, compared to \$8.91 the prior week. Average feeder cattle prices across Nebraska auctions last week were higher for feeders and lower for calves, with 700-800 pound steers averaging \$85.13 and 500-600 pound steers averaging \$91.17. Prices across four Kansas auctions averaged 81.21 and 88.46 for 700-800 and 500-600 pound steers, respectively.

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