

In The Cattle Markets*

September 24, 2002

Darrell Mark, Ph.D.

Asst. Professor, Department of Agricultural Economics, University of Nebraska

Increased Placements in Cattle on Feed Report

There were 10,129,000 head of cattle on feed as of September 1, 2002, according to last Friday's USDA report. This is 6.7% lower than the September 1 inventory last year, but 3.5% higher than the five-year average. For the first 9 months of the year, the number of cattle on feed was down 3.2% compared to the same time last year. Net placements of cattle on feed in August increased 1.2% relative to a year ago. This is over 1% higher than the average pre-release estimate, but well within the range of the trade's estimates. This marks the first year-to-year increase in placements since March. This small increase in placements has occurred despite large losses being incurred from cattle feeding and the prospects for higher corn prices this fall and winter. August placements were down 3.8%, however, compared to the five-year average. Year-to-date placements in 2002 are down 2.1% compared to last year. August marketings were 2.3% lower than last year (slightly lower than the trade's average pre-release estimate), but 2.4% higher than the five-year average. Because August 2002 had one less marketing day than August 2001, average daily marketings were actually up 2.1% this August compared to last year.

The placement pattern continued to favor heavy weight cattle. In August 2002, feeders placed 5.4% more 800+ pound cattle on feed compared to the previous year. Higher year-to-year placements of these heavy weight cattle have occurred throughout 2002 (except in June). This has created a large supply of market-ready cattle throughout the summer, which has contributed to this summer's low prices. August, however, marks the first time this year that 800+ pound placements are substantially lower than the five-year average. Relative to July, the proportion of August placements in the less than 600 pounds and 600-699 pound categories increased. So, even though strong placements of 800+ pound cattle continued, it appears that feeders are beginning to place more light weight cattle on feed. This will be supportive to fed cattle prices later this year and next year.

The Markets

Slaughter cattle prices were \$1 to \$2 higher last week, with the bulk of the trade occurring on Thursday at \$66 to \$67 in the southern plains and \$103 to \$104, dressed weight, in the north. Nebraska slaughter steers (35-65% Choice) averaged \$103.59, dressed weight, up 1.6% from last week. USDA's weekly weighted average price for Kansas slaughter steers (35-65% Choice) was \$66.76, over \$1 higher than the previous week. USDA's estimate of the light Choice boxed beef cutout was \$113.67, up \$5.23 from the previous week but down \$7.55 from a year ago. The light Choice-Select spread averaged \$8.47, \$0.40 lower than last week and down \$3.43 compared last year. Average feeder cattle prices across seven markets in Nebraska last week were steady to higher, with 700-800 pound steers averaging \$85.29 and 500-600 pound steers averaging \$89.30. Prices across four Kansas auctions averaged \$82.40 and \$91.69 for 700-800 and 500-600 pound steers, respectively.

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