

In The Cattle Markets

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No Sign Of Big Beef Cow Liquidation

Drought conditions in much of the Plains, West, and parts of the Southeast have caused many cow-calf operations to reduce cow inventories. Reports of large cow sales at various auctions this past spring and summer were common. As a result, many people assumed drought conditions were forcing a large liquidation in the nation's cow herd. Well, a massive liquidation could still take place, but it certainly hasn't yet.

USDA reports total cow, dairy cow, and other (e.g., beef) cow slaughter from federally inspected slaughter plants each week. So far this year USDA's data indicates (through mid-September) that total cow slaughter has fallen 1.4% below 2001's. Total cow slaughter did rise above the previous year this summer, but only by 3.5%.

An examination of USDA's beef and dairy cow slaughter data reveals some differences across the beef and dairy sectors. Beef cow slaughter has fallen below last year's for 22 of the 36 weeks reported by USDA. Average beef cow slaughter fell 2%, 0.9% and 0.4% below a year ago during the first, second, and third quarters of 2002, respectively. In contrast, dairy cow slaughter has been above last year's recently. Dairy cow slaughter this past summer was 8.5% larger than during summer 2001.

Cow slaughter hits a seasonal peak in the fall. So it's possible beef cow slaughter will still rise substantially this fall as cow-calf producers faced with the prospect of purchasing expensive forages this winter decide to cull herds even more heavily. But so far, it looks like the bulk of the cows sold in drought stricken areas of the U.S. were purchased by other cattle producers blessed with ample forage supplies looking to expand their own herds.

The Markets

Slaughter cattle prices weakened last week, averaging \$65.90/cwt. (35-65% Choice steers), which was \$0.86 below the prior week and just \$0.20 less than a year ago. Nebraska slaughter steers (35-65% Choice) averaged \$102.47/cwt. (carcass weight), down \$1.20 from the prior week's average of \$103.67. USDA's light Choice boxed beef cutout averaged \$115.75, up 1.8% from the prior week and just 1.9% below a year ago. The light Choice-Select spread averaged \$9.17/cwt., up \$0.70/cwt. compared to last week, but \$3.15/cwt. below a year ago. The weighted average price for 700-800 pound steers at four Kansas auctions averaged \$82.08, down slightly from the prior weeks average of \$82.40/cwt. The same weight steers at seven Nebraska markets averaged \$86.59/cwt., about \$1.30/cwt. higher than the prior week's average. The weighted average price for 500-600 pound steers at four Kansas auctions last week was \$88.88/cwt., nearly \$3.00/cwt. lower than the previous week. Since early August, weekly average 500-600 pound steer calf prices in Kansas have ranged from a low of \$87.85 to a high of \$91.69/cwt.