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Will There Still Be A Price Rally?

Expectations for \$70+ fed cattle prices this quarter have diminished as the supply of beef and competing meats remains strong and both domestic and export demand continues to be challenged by events such as meat recalls and the West Coast dock strike. Although beef cattle slaughter is down 1.7% year-to-date, carcass weights have been about 3.6% higher in 2002 relative to last year. As a result, year-to-date beef production is up 4.5%. Increased beef production, coupled with the tendency for cattle feeders to place proportionately more heavy cattle on feed through the summer months, have caused burdensome beef supplies going into the fourth quarter. With large supplies of beef and other meats, slaughter cattle prices have languished in the mid \$60s since June.

There is still optimism for higher fed cattle prices later this year and the first quarter of 2003 for several reasons. First, carcass weights are expected to seasonally peak during October, meaning that weights should begin to decrease in November and December. Second, although cattle feeders are beginning to place more cattle on feed, it appears that the mix of cattle entering feedyards will not favor heavy weight feeders as occurred earlier this summer. On the demand side, domestic beef demand has not faltered from the repeated recalls of meat contaminated with *E. coli* during the last couple of months. The value of beef exports has also been increasing. The return of the dock workers at the West Coast ports is also positive for beef and other agricultural exports. However, with the backlog of products now at the ports and the potential for more labor disputes in January (the end of the 80 “cooling off” and negotiation period ordered by the U.S. district court judge), export shipping through the West Coast ports will remain a concern. Fed cattle prices are likely to increase to the upper \$60s late this year and exceed \$70 in the first quarter of 2003 barring additional export problems and increased competition from pork and poultry in the domestic market.

The Markets

Last week, slaughter cattle prices were steady to \$1 higher in the southern plains, with the bulk of the trade occurring on Friday at mostly \$65. Trading occurred earlier in the week in the north at steady to lower prices, with slaughter cattle prices at mostly \$98 (dressed weight). Boxed beef prices finished the week lower, but at sharply higher volume compared to the previous week. Feeder cattle prices in the Midwest traded on both sides of steady money compared to the previous week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$64.85	\$64.17	\$67.89
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$98.26	\$99.56	\$107.61
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$82.04	\$81.69	\$91.46
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$84.45	\$82.76	\$94.10
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$88.28	\$89.69	\$100.34
Choice Boxed Beef Price, 600-750 lb. carcass	\$110.00	\$113.44	\$117.51
Choice-Select Spread, 600-750 lb. carcass	\$9.51	\$9.87	\$10.89