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**Last Week's Reports Support Higher Cattle Prices**

In last week's Cattle on Feed Report, USDA estimated the cattle on feed inventory at 10.7 million head, 9.5% below a year ago and 2.5% lower than the trade's average pre-release estimate. This represents the seventh month of lower inventory levels compared to the previous year and the second month of lower inventories compared to the five-year average. Cattle on feed numbers have been declining this fall as a result of lower placements during the late spring and early summer months and the higher marketings during September and October. October marketings were up 4.4% compared to October 2001, about as the trade anticipated.

The biggest surprise in the Cattle on Feed Report was the 12.5% reduction in placements during October 2002 compared to the same month last year. Arizona, Colorado, Kansas, and Oklahoma had the largest decreases in placements (near 80% of year ago). Conversely, placements in Iowa were 27% higher than last year. The shift to placing more cattle in Iowa and other central Corn Belt states reflects the relatively higher corn production in those areas which were not as impacted as the western Corn Belt by this summer's drought.

Strong fall marketings and lower placements imply smaller supplies of fed cattle in the first two quarters of 2003. Therefore, slaughter cattle prices in the low to mid- \$70s are likely, barring substantial declines in demand. For the rest of this year, however, consumer meat demand will focus on poultry and pork for the holidays. Export problems could also develop early next year if West Coast ports shutdown again if labor disputes are not resolved

Feeder cattle prices through the fall and winter will be supported by anticipation of higher fed cattle prices and slightly lower corn prices. On November 11, 2002, USDA raised its estimate of U.S. corn production by 33 million bushels to 9.003 billion bushels. As a result, USDA lowered its expectation of average corn prices by \$0.10 to \$2.20-2.60/bu.

**The Markets**

Last week, slaughter cattle prices were \$1 higher, with the bulk of the trade occurring at \$70, or \$108 to \$109 on a dressed basis. Although choice boxed beef prices finished the week nearly \$2 higher, the Choice-Select spread declined slightly. Compared to the previous week, feeder cattle prices in Nebraska and Kansas were \$1-2 higher for 700-800 lb. steers and \$2-3 higher for 500-600 lb. steers.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight (35-65% Choice)	\$69.79	\$68.71	\$60.80
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$108.18	\$106.09	\$99.93
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$83.25	\$82.49	\$83.59
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$92.12	\$90.82	\$93.39
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$85.86	\$84.22	\$83.98
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$90.24	\$88.86	\$93.97
Choice Boxed Beef Price, 600-750 lb. carcass	\$113.24	\$111.27	\$108.18
Choice-Select Spread, 600-750 lb. carcass	\$5.99	\$6.18	\$7.78