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2002: In Like A Bear, Out Like A Bull

Most of 2002 was a tough year for cattle feeders. Although late fourth quarter closeouts were generally profitable, feeders lost, on average, \$55/head for cattle marketed from January to November 2002. Slaughter cattle prices lingered in the low to mid \$60s during the second and third quarters of 2002 after briefly reaching the low \$70s in March. Despite a \$10/cwt rally in fed cattle prices in the fourth quarter, the 5 market weighted average slaughter steer price was 7.2% lower in 2002 compared to 2001. Several factors contributed to the lower prices during 2002: 1) slaughter cattle weights were 2.7% higher compared to 2001, 2) beef production was 3.7% higher than in 2001, 3) large competing supplies of pork and poultry, 4) wide spread drought prevented cow-calf operators from retaining heifers, and 5) disruptions in meat and poultry exports from the West Coast dockworker strike. Fed cattle and beef prices could have been lower had domestic demand not remained relatively strong and exports to Mexico and South Korea not increased to compensate for the reduced beef shipments to Japan.

2003: In Like A Bull

The outlook for slaughter cattle prices during the first half of 2003 is relatively positive, largely a function of expected declines in cattle supplies. In the December 2002 Cattle on Feed Report, USDA estimates the on feed inventory at 10.898 million head, a reduction of 8.4% compared to December 2001. The number of cattle on feed more than 120 days as of December 1 is down nearly 25%, indicating that fewer market-ready cattle will be available in the near term.

If favorable weather and feeding conditions continue, carcass weights are likely to remain relatively high throughout the winter. However, year-to-year declines in beef production are expected due to reduced slaughter numbers. Thus, fed cattle prices are generally expected to trade in the mid to upper \$70s throughout the first half of 2003.

The Markets

Last week, slaughter cattle prices were \$2 higher in the southern plains, with the bulk of the trade occurring at \$73-74. In the north, slaughter cattle prices were \$2-3 higher, at mostly \$115 (dressed weight). Boxed beef prices finished the week over \$1 lower and the choice-select spread narrowed \$0.77. There was no feeder cattle trade in Kansas and Nebraska last week due to the holiday week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$73.14	\$71.54	\$63.92
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$114.64	\$111.98	\$104.32
700-800 lb. Feeder Steer Price, Kansas 4 market average	no trade	\$85.19	no trade
500-600 lb. Feeder Steer Price, Kansas 4 market average	no trade	\$93.85	no trade
700-800 lb. Feeder Steer Price, Neb. 7 market average	no trade	\$86.52	no trade
500-600 lb. Feeder Steer Price, Neb. 7 market average	no trade	\$95.46	no trade
Choice Boxed Beef Price, 600-750 lb. carcass	\$122.59	\$123.61	\$109.85
Choice-Select Spread, 600-750 lb. carcass	\$4.90	\$5.67	\$4.00