

Darrell R. Mark, Ph.D.
Asst. Professor, Department of Agricultural Economics, University of Nebraska

No Surprises in Cattle Inventory Report

USDA's Cattle Inventory Report, released on January 31, 2003, confirmed cattle traders' and industry analysts' expectations that the number of cattle and calves has not appreciably changed in the last year. As of January 1, 2003, there were 96.1 million cattle and calves in the U.S., down 0.6% from the previous year. The number of beef cows that have calved is only slightly lower than at the beginning of 2002; however, producers did retain 0.8% more heifers for beef cow replacements. The 2002 calf crop, at 38.198 million head, is nearly unchanged from the previous year, but reflects a half percent decrease from USDA's estimate last July.

The reduction in cattle inventory marks the seventh year of liquidation, the longest liquidation period in recent history. In fact, the current cattle cycle, which is in its fourteenth year, is now the longest in the last 65 years. The expected expansion in cattle inventory for the last two years has not developed due to relatively low cattle prices and long term drought conditions.

Many cow-calf operators in western states hard-hit by drought continue to be hesitant to rebuild herds. State breakdowns reveal an eastward shift in cow inventories to states less impacted by drought: Colorado, Montana, North Dakota, South Dakota, and Utah had lower cow inventories as of January 1, 2003, whereas Missouri, Tennessee, Kentucky, and Oklahoma saw higher inventory levels. Although this migration was relatively small, it would likely have been larger had winter weather developed early in drought states with little feed availability. Nebraska and other drought-weary states have enjoyed a relatively open winter thus far, allowing continued grazing of corn stalks. Should harsh winter weather conditions develop that limit grazing, more cows are likely to be sold for slaughter or to new owners in states with available feed.

The Markets

Last week, slaughter cattle prices were \$1 higher, with the bulk of the trade occurring in the south at \$79-80 and in the north at \$122-124 (dressed weight). Boxed beef prices finished the week over \$5/cwt lower and the choice-select spread widened \$0.60. Feeder cattle prices in Kansas and Nebraska were generally \$1 higher last week compared to the previous week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$79.28	\$78.96	\$70.91
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$122.82	\$122.04	\$110.83
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$81.06	\$80.36	\$83.21
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$93.29	\$95.85	\$97.84
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$81.44	\$80.65	\$85.02
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$97.97	\$97.26	\$102.70
Choice Boxed Beef Price, 600-750 lb. carcass	\$128.38	\$133.90	\$113.99
Choice-Select Spread, 600-750 lb. carcass	\$5.87	\$5.27	\$3.18