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**Cattle on Feed Inventory Down**

On February 14, 2003, USDA confirmed traders' and analysts' expectations for a 7-8% reduction in cattle on feed compared to a year ago, putting the February 1 inventory at 10.68 million head. This marks the tenth month of lower numbers compared to the previous year. The smaller on feed inventory reflects a reduction in placements in the third and fourth quarters of 2002, when feeders placed 1.1% and 4.4% fewer cattle than in the third and fourth quarters of 2001. Net placements of cattle on feed in January 2003 were also down 1.4% compared to January 2002, but were 3.9% higher than the five year average.

Marketings during January totaled 1.97 million head, down 5.4% compared to 2002. Although this was a slower marketings pace than the trade expected, marketings in the first and second quarter are not likely to be as large as could be expected based on the on feed inventory and fall placements. Feeders are likely to sell cattle earlier than they have been in response to relatively high current price levels. Marketings as a percentage of the on feed inventory are up 3.3% in January 2003 compared to the previous year, confirming that cattle feeders are turning inventory over faster. This should result in declines in carcass weights. Also supportive to fed cattle prices is a 16.8% reduction in the number of cattle on feed for more than 120 days.

Tighter cattle supplies point to slaughter cattle prices in the mid \$70s up to \$80 until early spring. However, harsh winter weather in cattle feeding country could push prices above \$80, even over this year's \$81-82 high, which occurred during the second week of February. Current futures based price forecasts indicate a strong seasonal price decline during late spring and early summer, with cash slaughter cattle prices bottoming in the \$66-\$69 range in July or August.

**The Markets**

Last week, slaughter cattle prices were \$3-4 lower, with the bulk of the trade occurring in the south at \$78-79 and in the north at \$122-123 (dressed weight). Boxed beef prices finished the week \$1.33/cwt lower and the choice-select spread widened \$0.66. Feeder cattle prices in Kansas and Nebraska moved lower with the fed cattle market and were generally \$1-3/cwt lower last week compared to the previous week.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight (35-65% Choice)	\$78.60	\$81.67	\$71.99
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$122.19	\$126.26	\$113.40
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$76.39	\$78.80	\$83.23
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$92.80	\$93.87	\$102.09
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$78.07	\$79.81	\$86.04
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$95.58	\$97.90	\$108.12
Choice Boxed Beef Price, 600-750 lb. carcass	\$129.07	\$130.40	\$122.50
Choice-Select Spread, 600-750 lb. carcass	\$6.72	\$6.06	\$3.32