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April live cattle futures highest settlement price of the year occurred on January 8, 2003 when it reached \$80.15/cwt. The same contract reached its lowest price of the year on March 11, 2003, settling at \$72.78. So, April live cattle futures March 11th settlement price was about 9% below the January 8th peak. And weekly average Kansas cash slaughter cattle prices dropped below \$77 last week for the first time this year. Even with last week's decline in cash prices, it is obvious that futures traders expect either larger beef supplies, weaker beef demand, or some combination of the two to occur between now and late April when the April live cattle futures contract expires.

Beef production so far this year has fallen 1.1% below a year ago. Most of the production decline is attributable to a slaughter decline of 0.9%, although average dressed weights have fallen slightly below a year ago. The decline in average dressed weights has taken place partly because there have been more cows in the slaughter mix this year than last, which helps pull down average weights. Steer weights have been declining seasonally, but were still 3 pounds heavier than a year ago in late February. At the same time, however, heifer weights were actually 4 pounds lighter than in 2002. Looking ahead, it still looks like cattle slaughter and beef production will be significantly smaller than last year over the next several months.

Beef demand is more difficult to gauge. A beef demand index computed using wholesale, instead of retail, beef prices indicated that beef demand started to recover during 2002's fourth quarter. Price strength during January and February suggested that the demand recovery was still in place. But rising energy prices and the looming war clouds in Iraq have made market participants nervous about consumer demand for a wide array of products, including beef.

One concern about beef demand is the impact rising world tensions might have on business travel and, in turn, beef demand. Following the September 11 attacks, business travel fell sharply, resulting in a beef demand decline in the hotel, restaurant and institutional market which, if repeated in 2003, could drag down beef and cattle prices again. So, it appears that part of the problem in the cattle market these days is uncertainty. Unfortunately, it looks like we'll have to live with that a while longer.

The Markets

Weekly average slaughter cattle prices dropped \$2.39/cwt. (live weight) in Kansas last week, averaging \$76.98/cwt. and weekly average dressed trade in Nebraska fell \$1.78/cwt., both compared to the prior week. Steer calf prices increased less than \$1/cwt. in Kansas, but declined over \$2.00/cwt. in Nebraska. Feeder weight steers were flat compared to the prior week in both Kansas and Nebraska. Weekly average boxed beef prices weakened slightly compared to the prior week, but were still about \$10 above the prior year. The light Choice-Select spread was virtually unchanged compared to the prior week, but was nearly \$3.00 higher than at the start of the year.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$76.98	\$79.37	\$73.27
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$122.74	\$124.52	\$116.48
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$76.72	\$77.03	\$83.68
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$92.70	\$91.58	\$101.06
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$79.67	\$79.51	\$88.89
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$96.99	\$99.16	\$109.94
Choice Boxed Beef Price, 600-750 lb. carcass	\$128.96	\$129.33	\$119.11
Choice-Select Spread, 600-750 lb. carcass	\$6.35	\$6.34	\$3.39