In The Cattle Markets
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Darrell R. Mark, Ph.D.
Asst. Professor, Department of Agricultural Economics, University of Nebraska

Cattle on Feed and Inventory Reports Friendly

In its semiannual cattle inventory report released last Friday, USDA estimated the number of all cattle and calves in the U.S. at 103.9 million head. This headcount is about 1.1% lower than last year's July 1 inventory estimate, as analysts generally expected. USDA put the number of beef and dairy cows at 33.6 and 9.1 million head, respectively, down about one half percent from last year. Perhaps most noteworthy is that the number of beef heifers replacements remained steady with last year, indicating that producers have not started aggressively rebuilding the cow herd. Producers in several states hard hit by drought in the last couple of years (or still in a drought) remain reluctant to increase herd sizes. Beef cow numbers have decreased in Colorado (9%), Nebraska (4%), South Dakota (2%), Missouri (1%), and California (7%) since July 1, 2002. The cattle inventory report also provides the first estimate of the 2003 calf crop. Pegged at 38 million head, this year's calf crop will be about 200,000 smaller than last year. This will be supportive to stocker and feeder cattle prices this winter.

The Cattle on Feed report, also released on Friday, confirmed an expected current situation in feedyards. The number of cattle on feed on July 1 was 5.4% below last year and 2% lower than the five year average. This marks 15 months of year-to-year reductions in cattle on feed numbers. Average daily marketings in May and June were up 8.0% and 2.4% compared to last year. June net placements were up 1.8%. The number of cattle on feed for more than 120 days has declined to about 2.3 million head, nearly 35% below last year at this time. Part of the currentness in U.S. feedyards is a result of the continued ban on Canadian imports of cattle. While this is supportive to domestic prices in the short run, an expected backlog of cattle north of the border will lower prices when trading resumes. In Alberta and Saskatchewan, fed cattle marketings were down about 55% in June 2003 compared to last year. Canadian feeders drastically cut placements to 18,481 head, 88% less than during June 2002. At some point, all the calves and stockers not being placed will need a feedyard home, maybe in the U.S. if the border reopens soon.

The Markets

Last week, slaughter cattle prices were $1 lower on a live weight basis in Kansas, at $73. Dressed trade in Nebraska was $2 lower on Tuesday at $118, but was mostly steady at $119-120 on Wednesday. Choice boxed beef prices declined $1.15 and the Choice-Select spread narrowed $1.24 to $5.34. Last week, 700-800 lb. steer prices in Kansas were about $2 higher than the previous week, while calf prices were $2-3 lower.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	$73.00	$73.97	$63.82
Neb. Fed Steer Price, dressed weight (35-65% Choice)	$118.30	$119.75	$99.67
700-800 lb. Feeder Steer Price, Kansas 4 market average	$93.00	$90.75	$79.53
500-600 lb. Feeder Steer Price, Kansas 4 market average	$100.36	$102.70	$84.34
700-800 lb. Feeder Steer Price, Neb. 7 market average	NA	$93.68	$80.36
500-600 lb. Feeder Steer Price, Neb. 7 market average	NA	NA	$87.20
Choice Boxed Beef Price, 600-750 lb. carcass	$128.80	$129.95	$108.78
Choice-Select Spread, 600-750 lb. carcass	$5.34	$6.58	$4.36