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Bulls Showing Up in Cattle Feeding Country

The August 1, 2003 cattle on feed inventory was 10.593 million head, down 5% compared to last year. On feed numbers were down 13%, 9%, 12%, and 7% in Colorado, Iowa, Nebraska, and South Dakota, respectively, while Kansas and Oklahoma had increases in cattle on feed of 2% and 8% and Texas had a modest decrease of 2%. The larger relative supply of cattle on feed in the south has contributed to the \$1-2 discount for slaughter cattle there relative to the northern markets. Still, all cattle feeders have been willing sellers this summer with recent fed cattle prices in the upper \$70s to low \$80s. July 2003 marketings were 3.5% higher than in 2002, close to average trade expectations. July marked the third consecutive month of higher year-to-year marketings. The strong summer prices and sizeable profits have also encouraged feeders to place more cattle on feed. Net placements during July were up 7.6%, over 3% higher than the average trade estimate. Placements of cattle weighing less than 700 pounds were up about 14%. Placements of heavy feeders (800+ pounds) were up nearly 10%.

A look at feeder cattle prices indicates there is a lot of optimism in cattle feeding country. Since mid-June, prices for 700-800 pound steers have increased about \$10/cwt to the mid \$90s in both Kansas and Nebraska. Based on typical cattle feeding budgets, a 750-pound steer purchased for \$95 and placed on feed in August would have a breakeven selling price of about \$80 in December. With December live cattle futures trading at \$78, locking in a profit with futures is not an alternative. Clearly, many cattle feeders are hoping to push placements hard and sell them at prices near their current levels. Although fourth quarter slaughter cattle prices are expected to be in the mid- to upper-\$70s, there still remains a great deal of uncertainty regarding the impact of the complete restoration of beef trade with Canada and the success of the Beef Export Verification program in meeting Japan's requests for U.S. origin assurance. So, as always, a bit of caution is important when placing cattle on feed with the expectation of \$80 selling prices.

The Markets

Last week, slaughter cattle prices were nearly \$1 lower on a live weight basis in Kansas, at \$78-78.50. Dressed trade in Nebraska was mostly steady at \$127-128. Choice boxed beef prices advanced \$1.85 and the Choice-Select spread widened to \$8.57. Last week, yearling steer and steer calf prices in Kansas were about \$5 higher than the previous week. No sales were held in Nebraska.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$78.15	\$78.93	\$63.86
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$127.68	\$127.65	\$101.62
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$95.72	\$90.58	\$81.98
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$103.50	\$99.05	\$89.31
700-800 lb. Feeder Steer Price, Neb. 7 market average	NA	\$97.09	\$84.49
500-600 lb. Feeder Steer Price, Neb. 7 market average	NA	\$108.81	\$93.37
Choice Boxed Beef Price, 600-750 lb. carcass	\$140.46	\$138.61	\$110.13
Choice-Select Spread, 600-750 lb. carcass	\$8.57	\$6.72	\$7.12