In The Cattle Markets

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Fall Price Outlook

Choice slaughter steer prices in the southern plains averaged $77.99/cwt so far in 2003, 17% higher than for the same time period last year. The seasonal summer-time low, which was expected to put fed cattle prices in the low $70s, never materialized in the summer of 2003. Instead, fed cattle prices have traded in the upper $70s and lower $80s this summer, pausing only in July to post a summer low at $73. Several factors have contributed these strong prices. First, dressed cattle weights are currently 3% lower than last year. For the year, dressed weights have averaged 1.7% lower than in 2002. In response to high prices, cattle feeders have kept marketings very current. Third, the U.S. is now a net exporter of beef as a result of banning imports of Canadian beef and gaining export business lost by Canada. Fourth, domestic demand was up 1% in the first half of 2003 compared with January-June 2002.

The unexpected high prices this summer have most wondering what to expect for fall slaughter cattle prices. Typically, a 3% increase in fed cattle prices is observed from September to November. If this occurred this year, November prices would be about $84.50, based on current prices at $82. Will this actually happen? Maybe. Prices are expected to trade in the upper $70s and low $80s through the end of the year. Domestic and export demand are likely to remain strong. Plus, the partial Canadian border re-opening will not likely have a large effect on prices because little beef is expected to be shipped to the U.S. Current beef imports from Canada are restricted to boneless boxed beef from cattle less than 30 months old and produced in plants only slaughtering cattle less than 30 months old (which is logistically difficult because most Canadian plants process cattle of all ages). Further, live cattle imports from Canada are not likely to resume until the Beef Export Verification program is fully functional in segregating cattle by origin. So, should cattle producers plan for a price increase to $84.50? Probably not. With prices at all-time highs, there is real potential for lower prices at some point in the future. Futures traders are reluctant to bid prices up to this level (December futures are currently at $80.95). Cattle feeders have been placing more cattle on feed in recent months. Additionally, the possibility of domestic disease problems that would significantly lower prices remains.

The Markets

Last week, slaughter cattle prices were $1 higher on a live weight basis in Kansas, at $82. Dressed trade in Nebraska was up $1.87 to $131.46. Choice boxed beef prices increased $3.55 and the Choice-Select spread continued to widen. Last week, yearling steer and steer calf prices were steady to slightly higher, with larger volumes of feeder cattle traded.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	$81.98	$80.88	$63.31
Neb. Fed Steer Price, dressed weight (35-65% Choice)	$131.46	$129.59	$100.59
700-800 lb. Feeder Steer Price, Kansas 4 market average	$98.97	NA	$81.19
500-600 lb. Feeder Steer Price, Kansas 4 market average	$106.74	NA	$88.23
700-800 lb. Feeder Steer Price, Neb. 7 market average	$100.79	$100.19	$84.45
500-600 lb. Feeder Steer Price, Neb. 7 market average	$112.32	$111.57	$93.46
Choice Boxed Beef Price, 600-750 lb. carcass	$142.06	$138.51	$112.81
Choice-Select Spread, 600-750 lb. carcass	$11.37	$10.01	$9.36