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**Cattle Feeders More Optimistic Than Futures Traders**

Year-to-date cattle slaughter in 2004 is running about 11% behind last year's pace, despite the fact that the cattle on feed inventory is above a year ago. This year's slow slaughter pace gives rise to concerns that a fed cattle marketing backlog might be developing. USDA's steer weight data, which is published several weeks later than the corresponding slaughter data, suggests that, indeed, weights are rising.

Steer weights the first full week of January (most recent steer weight data available) averaged 812 pounds, 7 pounds heavier than the prior week. The slow slaughter pace during January is expected to result in weights going up throughout the month. The weight increase is unusual because weights normally decline seasonally during the winter. Two factors are likely behind the increase. First, weather conditions most of this winter have been conducive to above average weight gains. Second, in sharp contrast to last year, this year's slow slaughter pace means cattle will be marketed with more days on feed and at heavier weights.

Rising prices the last two weeks should lead to higher slaughter rates. Nevertheless, it's looking more and more likely that cattle are being pushed back from their originally intended marketing dates. That means weights could soon rise above a year ago and spring quarter slaughter could be larger than expected.

**The Markets**

Cash slaughter cattle prices skyrocketed last week, climbing to \$85.68/cwt. (steers, live weight) in Kansas and \$135.65/cwt. (steers, dressed weight) in Nebraska. The rise in cattle prices was precipitated by an increase in boxed beef values. USDA's weekly average light Choice cutout jumped to \$144.93/cwt., up from \$137.30 the prior week. The weekly average light Choice-Select spread declined \$0.80/cwt. Calf and feeder cattle buyers continue to display more optimism than appears warranted by deferred live cattle futures prices. Steer calf prices last week averaged \$119.58/cwt. in Nebraska and \$110.11/cwt. in Kansas. Kansas prices were up just over \$1/cwt. compared to the prior week, whereas Nebraska prices rose over \$4/cwt. compared to the previous week. Feeder steer prices averaged about \$94/cwt. in Nebraska and \$91/cwt. in Kansas.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, wtd. average, live weight	\$85.68	\$85.66	\$78.89
Nebraska Fed Steer Price, wtd. average, dressed weight	\$135.65	\$127.59	\$122.32
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$91.23	\$90.46	\$80.36
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$110.11	108.68	\$95.85
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$93.95	\$94.83	\$80.65
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$119.58	\$115.23	\$97.26
Choice Boxed Beef Price, 600-750 lb. carcass	\$144.93	\$137.3	\$133.90
Choice-Select Spread, 600-750 lb. carcass	\$6.62	\$7.43	\$5.27