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Cattle Inventory Report

USDA's semi-annual Cattle Inventory Report, released last Friday, contained few surprises for traders expecting a 1% decrease in cattle numbers. USDA pegged the January 1, 2004 all cattle and calf inventory at 94.88 million head, down 1.3% from last year. Also as expected, the number of beef cows that have calved was down less than a half percent at 32.86 million head. Likely the most surprising number in the report is the 2% reduction in heifers held as beef cow replacements. At 5.52 million heifers, beef cow replacements did not increase nation-wide during 2003 as a result of 1) continued drought in many areas of the west, and 2) high fed cattle prices encouraging producers to finish heifers for the slaughter market rather than retain them for herd replacements. The report also indicated that the 2003 calf crop was down 0.8% to 37.9 million head. This makes the 2003 calf crop the smallest in the last 44 years and points to relatively strong feeder cattle prices in 2004.

The reduction in cattle inventory marks the 8th year of liquidation, the longest liquidation period in recent history. In fact, the current cattle cycle, which is in its 15th year, is now the longest in the last 65 years. Continued drought conditions, lack of profitability two years ago, and high cattle prices this past year encouraging slaughter of cattle have all contributed to this reduction.

The Cattle Inventory Report put the number of steers and bulls over 500 pounds at 16.3 and 2.21 million head, respectively, both down about 2% from last year and about 1% from the average pre-release expectation. The number of calves less than 500 pounds was also down 2% at 15.2 million head. The cattle on feed inventory was estimated at 13.8 million head, up about 4% from last year.

The Markets

Last week slaughter cattle prices declined sharply, with Kansas live weight prices down \$5-6 and Nebraska dressed prices down \$6-7 at \$128.84. Choice boxed beef prices were \$4.13 lower last week at \$140.80, but still more than \$12 higher than last year. The Choice-Select spread widened by \$1.67 last week to \$8.29. Steer calf prices in Nebraska and Kansas were down about \$3.25 last week. Prices of 700-800 lb. steers in Nebraska and Kansas were down \$3-4 last week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$79.81	\$85.68	\$79.28
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$128.84	\$135.65	\$122.82
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$87.98	\$91.23	\$81.06
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$106.87	\$110.11	\$93.29
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$90.15	\$93.95	\$81.44
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$116.28	\$119.58	\$97.97
Choice Boxed Beef Price, 600-750 lb. carcass	\$140.80	\$144.93	\$128.38
Choice-Select Spread, 600-750 lb. carcass	\$8.29	\$6.62	\$5.87