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Cow Slaughter Well Below Last Year

Cow slaughter has fallen sharply this year. Through late-June federally inspected cow slaughter totaled 2.425 million head, down 15% compared to last year's 2.859 million head. The decline in dairy cow slaughter has been somewhat larger than the drop-off in beef cow slaughter. Dairy cow-slaughter during the first half of 2003 was 17% lower than last year, whereas beef cow slaughter was 13.5% below 2003's. Despite the sharp year-to-year decline in cow slaughter, it's not apparent that U.S. cattle producers are engaged in significant herd rebuilding.

To expand their herds, producers have to withhold females from slaughter. Producers interest in herd expansion can be monitored by examining the ratio of total female slaughter to steer slaughter. In the past, when annual female slaughter, expressed as a percentage of steer slaughter, fell below 95%, it's usually resulted in some herd expansion. And significant herd expansion has occurred when the ratio dropped below 90%. During the first half of 2004, total female slaughter was equivalent to about 96% of federally inspected steer slaughter. So, the slaughter data during the first half of the year suggests the industry is still holding the total herd inventory steady.

The Markets

Cash slaughter cattle prices drifted lower last week, averaging \$85.22/cwt (live) in Kansas and \$135.28/cwt. in Nebraska (dressed). Declining boxed beef values precipitated the fed cattle price decline. USDA's light Choice cutout averaged \$141.48 last week, down \$2.63 compared to the prior week. The Choice-Select spread declined again, averaging just \$2.13 last week. Japan's import ban on U.S. beef and rising cattle weights likely explains the collapse in the Choice-Select spread. Based on past history, the spread should start to recover by late summer and rise substantially by mid-fall. Feeder cattle buyers continued bidding aggressively for replacement cattle. Prices for 700-800 pound steers in Kansas averaged \$121.77/cwt. last week, which implies a mid-November slaughter cattle breakeven price in the mid-\$90's.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, wtd. average, live weight	\$85.22	\$87.68	\$73.97
Nebraska Fed Steer Price, wtd. average, dressed weight	\$135.28	\$137.24	\$119.82
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$121.77	\$NA	\$90.75
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$134.80	\$NA	\$NA
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$129.84	\$NA	\$93.68
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$147.65	\$NA	\$NA
Choice Boxed Beef Price, 600-750 lb. carcass	\$141.48	\$144.11	\$129.95
Choice-Select Spread, 600-750 lb. carcass	\$2.13	\$3.52	\$6.58