

Darrell R. Mark, Ph.D.**Asst. Professor, Department of Agricultural Economics, University of Nebraska****Cattle Inventory Report**

In its mid-year cattle inventory report, USDA estimated the all cattle and calf inventory at 103.3 million head, a record small number. Compared to last year, the all cattle and calf number was only down 0.2%, close to trade expectations. The decline in the number of cows and heifers that have calved was down 0.5%, with beef cow numbers about steady and the dairy cow herd 1% smaller than July 1, 2003. Of most interest in this year's summer cattle inventory report is the number of heifers held for beef cow replacements. Estimated at 4.8 million head, this is up 4.3% from last year, at the high end of trade expectations. This provides the first indication of producers' intentions to rebuild cow herds following a record-long eight-year liquidation phase. Beef cow numbers continue to be affected by lingering effects of drought in states such as Colorado, Montana, and South Dakota, where inventories were 13%, 1%, and 2%, respectively, smaller than last year. Several states, however, saw increases in beef cow inventories: Kansas (4%), Missouri (8%), Nebraska (5%), Oklahoma (3%), and Wisconsin (2%).

The cattle inventory report also provides the first estimate of the 2004 calf crop. At a record small 37.7 million head, this year's calf crop is projected to be 203,000 head smaller than last year. This tight supply of calves will support relatively high feeder cattle prices throughout the next year.

Cattle On Feed Report

The total number of cattle on feed on July 1, at 10.1 million head, was up 2% from last year. During June, cattle feeders placed 1.6 million head on feed, a decrease of 2.6% from last June. The majority of the June placements weighed less than 600 lbs. Placements of these light weight feeders were up 23.7% from last year. Placements of heavier cattle were down 1%, 7%, and 19% compared to last year in the 600-699 lb., 700-799 lb., and 800+ lb. categories. While this placement trend will be supportive to near-term fed cattle prices, it may cause some pressure for prices late in the fourth quarter. However, the report did not really provide much optimism for strength in near-term fed cattle prices, with average daily marketings in June down 10.8% compared to 2003. June and July 2004 slaughter were down 16% and 14% compared to 2003. The report also confirms that the inventory of cattle on feed for more than 120 days was more than 32% higher than last year. As a result, average dressed weights are running some eight pounds heavier than a year ago.

The Markets

Prices of slaughter cattle in Kansas were \$2-3 higher on a live weight basis last week. Nebraska dressed sales were about \$2 higher. Choice boxed beef was down \$3.88 last week and the

Choice-Select spread continued to narrow another \$0.55 to \$2.17. Strong demand for feeder cattle last week advanced prices for 700-800 lb. yearlings about \$3/cwt in Kansas and Nebraska. Prices for 500-600 lb. steers in Kansas were up about \$1.50/cwt, while in Nebraska prices were more than \$3.50/cwt higher.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$84.98	\$82.43	\$76.56
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$132.89	\$131.16	\$123.22
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$119.03	\$115.74	\$94.38
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$128.84	\$127.27	\$101.68
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$120.54	\$117.69	\$96.54
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$141.95	\$138.28	\$107.81
Choice Boxed Beef Price, 600-750 lb. carcass	\$136.93	\$140.81	\$128.60
Choice-Select Spread, 600-750 lb. carcass	\$2.17	\$2.72	\$5.07