

James Mintert, Ph.D.
Professor, Department of Agricultural Economics, Kansas State University

Strong Prices and Improved Forage Supplies Leading To Expansion

U.S. cow-calf producers have been operating in the black since 1999. Despite the improvement in returns (above cash costs) of the last few years, cow-calf producers have not held back females from slaughter to expand their herd size. One factor that held expansion plans in check was poor pasture and range conditions. But it looks like another year of positive returns, and improved forage supplies, could finally bring herd liquidation to a halt.

One good measure of whether cow-calf producers are expanding or contracting their herds has been the ratio of total female (cows plus heifers) to steer slaughter. Historically, when female slaughter has equaled or exceeded 100% of steer slaughter, it meant U.S. producers were reducing the size of their herds. Conversely, when female slaughter expressed as a percentage of steer slaughter was in the low 90's (or lower), it generally indicated that producers were expanding the size of their herds.

U.S. cow-calf producers began reducing the size of the U.S. cow herd during 1996. During 1996 and 1997, the ratio of female to steer slaughter ranged between 101 and 103%. Not surprisingly, the U.S. cow herd shrank 2.2 and 1.6%, respectively, during these two years. From 1998 through 2003 female slaughter as a percentage of steer slaughter ranged from 96.7 to nearly 100%. And U.S. producers continued to reduce herd size modestly from 1998 through 2003, as annual cow herd inventory declines each year ranged from 0.25% to 0.82%.

But the slaughter pattern during 2004 indicates that we are finally shifting away from a pattern of herd liquidation towards modest expansion. Through mid-October, female slaughter during 2004 totaled about 93% of steer slaughter. As a result, it looks like the upcoming USDA January 1 estimate of the U.S. cow herd could be larger than the prior year for the first time since January 1996.

In The Markets

Weighted average slaughter steer prices in Kansas last week were about \$2/cwt. (live weight) lower, compared to the prior week, whereas Nebraska prices were down just \$0.30/cwt. (dressed weight). Heavy Choice boxed beef prices moved lower, averaging nearly \$1/cwt. lower than the prior week. The heavy Choice-Select price spread increased about \$1/cwt., averaging \$6.65/cwt. last week. As of 11.3.04, boxed beef prices had declined sharply this week, as the heavy Choice cutout closed at \$131.40. Very few cattle have traded so far this week as cattle feeders have been resisting lower bids. Feeder cattle prices last week were mixed.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$84.72	\$86.86	\$101.22
Nebraska Fed Steer Price, dressed weight	\$133.48	\$133.80	\$159.90
700-800 lb. Feeder Steer Price, Kansas 3 market average	\$114.12	\$112.62	\$105.53
500-600 lb. Feeder Steer Price, Kansas 3 market average	\$127.78	\$127.07	\$108.06
700-800 lb. Feeder Steer Price, Nebraska 7 market average	\$113.99	\$116.88	\$110.21
500-600 lb. Feeder Steer Price, Nebraska 7 market average	\$126.10	\$125.89	\$111.35
Choice Boxed Beef Price, 750-900 lb. carcass	\$139.22	\$140.12	\$168.50
Choice-Select Spread, 750-900 lb. carcass	\$6.65	\$5.60	\$21.43