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Bullish April Cattle on Feed Report

In addition to last week's bullishness in slaughter cattle, boxed beef, and live cattle futures prices, the release of the April cattle on feed report ended the week on a positive note. At 10.87 million head, the April 1 cattle on feed inventory was up 1.1% from last year, smaller than the 2% increase the trade expected. March 2005 marketings were up slightly from last year, and about 4% higher than the average pre-release estimate. Net placements of cattle on feed during March were 1.69 million head, 2.6% lower than March 2004 and down 8.8% from the five-year average. Pre-release trade estimates pegged the placements figure at near year-ago levels. In March, placements of lighter weight calves dropped substantially compared to last year, likely a function of improved outlook for summer grazing due to better moisture conditions and expected negative returns to feeding. Only placements of cattle weighing more than 800 lbs. posted a year-to-year increase (12.1%), pointing to some price pressure for third quarter slaughter cattle prices. Still, the actual cattle on feed inventory, placements, and marketings data released last Friday point to somewhat better prices compared to previous expectations. Nearby April live cattle futures contracts rallied \$1.72/cwt on Monday, with deferred third-quarter futures contracts up about \$1/cwt.

The Markets

Despite last week's slaughter increasing 2.4% from the previous week to 600,000 head, strong demand in the form of higher boxed beef prices helped rally the slaughter cattle market. Kansas slaughter cattle prices were up \$2/cwt (live weight basis), with the bulk of last week's trade at \$94. In Nebraska, dressed sales were \$2/cwt higher last week. Choice boxed beef increased \$2.81/cwt from the previous week, averaging \$157.84 for the week. Last week the Choice-Select spread widened \$0.70/cwt to \$16.35. Prices for yearling feeder steers and calves were mostly steady in Kansas last week. Nebraska yearling steers were down slightly, while feeder calves advanced about \$3/cwt. Some feeder cattle prices for green, lightweight cattle continued to advance last week in response to improved demand for grass cattle following recent rains. The steady trend noted for heavier feeder cattle likely is a result of continued projected losses on current placements. For example, a 750 lb. feeder steer purchased for \$117.30/cwt and fed for 132 days will finish in late August at 1200 lbs. based on typical feeding performance. At current feed costs, a commercial cattle feeding budget would project the breakeven price for this feeder steer close to \$92/cwt. With August futures at \$86/cwt and an expected basis of about -\$1.75/cwt, a loss of about \$7.60/cwt could be expected.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$93.98	\$92.04	\$84.94
Neb. Fed Steer Price, dressed weight	\$149.90	\$148.06	\$137.81
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$115.94	\$115.44	\$99.11
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$136.12	\$137.82	\$114.31
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$117.30	\$118.04	\$102.95
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$143.51	\$140.21	\$121.60
Choice Boxed Beef Price, 600-900 lb. carcass	\$157.84	\$155.03	\$160.76
Choice-Select Spread, 600-900 lb. carcass	\$16.35	\$15.65	\$18.98