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What Are Cattle Feeders Thinking?

Live cattle futures have been on a roller coaster since mid-May. December live cattle futures peaked on May 17th with a settlement price of \$88.67. From mid-May through mid-June, December live cattle futures declined sharply, closing at \$83.85 on June 21, 2005. But since USDA confirmed the Texas case of BSE, December live cattle futures trade has rallied modestly. December live cattle futures settled at \$84.10 on June 24th, prior to USDA's confirmation that the Texas cow processed in November 2004 did indeed test positive for BSE. December live cattle futures then climbed to a settlement price of \$85.52 on July 6th, before weakening slightly on July 7th.

Despite the fact that December live cattle futures rallied modestly in recent days, prices in early July are still about \$3/cwt. lower than in mid-May. Even so cattle feeders continue to bid aggressively for feeder cattle. The Kansas combined weighted average price for 700-800 pound steers was near \$115/cwt. in mid-May. It looks like this week's Kansas weighted average price for the same weight steers will equal or exceed the mid-May average. Tight feeder cattle supplies and cattle feeders' excess pen space have combined to keep feeder prices at levels that are likely to produce significant losses for much of the feeding industry this fall. What are cattle feeders thinking?

In The Markets

Slaughter steer prices in Nebraska averaged \$127.90/cwt. (dressed weight) in Nebraska last week, \$1.63/cwt. lower than the prior week. In contrast, the weekly average slaughter price in Kansas was virtually unchanged compared to the prior week, averaging \$81.99/cwt. Live cattle trade so far this week has been inactive. Last week's Choice boxed beef price average was about up \$1 compared to the prior week. Boxed beef prices this week were about the same as last week until July 7th when prices dropped about \$1.50/cwt. Feeder trade volume in Kansas last week was still very limited as wheat harvest wrapped up. This week feeder prices at Dodge City were up compared to two weeks ago, as 700-800 pound steers averaged about \$117/cwt.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$81.99	\$82.08	\$87.68
Nebraska Fed Steer Price, dressed weight	\$127.90	\$129.53	\$137.24
700-800 lb. Feeder Steer Price, KS 3 market average	\$116.00	\$113.07	--
500-600 lb. Feeder Steer Price, KS 3 market average	--	\$130.25	\$131.47
700-800 lb. Feeder Steer Price, NE 7 market average	\$119.68	\$118.26	--
500-600 lb. Feeder Steer Price, NE 7 market average	\$148.45	\$135.00	--
Choice Boxed Beef Price, 600-900 lb. carcass	\$135.73	\$134.61	\$143.05
Choice-Select Spread, 600-900 lb. carcass	\$2.87	\$2.44	\$2.91