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Heavy Weight Placements Increase Again

Last weeks cattle on feed report provided a bit of a surprise to the industry as placements of cattle on feed during June were larger than expected. Net placements (gross placements minus other disappearance) were 8.2% larger than in 2004 and 5.9% larger than in 2003. As a result, the July 1 U.S. on feed inventory was 2.7% larger than last year and 4.8% larger than two years ago.

Placements of cattle on feed during June were skewed towards heavy weight feeders. Placements of cattle weighing over 800 lbs. were up 41% compared to last year and were 15% larger than two years ago. Placements in the 700-799 lbs. weight group were 6% larger than last year and unchanged from two years. In contrast, placements of cattle weighing less than 600 lbs. and 600 to 699 lbs. were both 10% smaller than last year.

Over the last four months total placements of cattle on feed have been about the same as in 2004. However, the distribution of cattle placed on feed by weight group this year has been markedly different than a year ago. Placements of cattle on feed weighing less than 800 lbs. from March through June fell below a year ago, whereas placements of cattle on feed weighing more than 800 lbs. actually increased 28% compared to 2004. The shift in the placement pattern suggests late summer and fall marketings will be larger than the total placements figures indicate.

USDA also released its mid-year cattle inventory estimate last Friday. USDA estimated the inventory of all cattle and calves on July 1 was 104.5 million head, 0.9% larger than a year ago, but still 7.5% smaller than the last inventory cycle peak in 1995. Friday's report also included USDA's first estimate of the 2005 calf crop, which totaled 37.8 million head, 0.5% larger than in 2004. This marked the first year-to-year calf crop increase since 1995.

In The Markets

Lower prices were the order of the day last week. Slaughter steer prices in Nebraska averaged \$124.99/cwt. (dressed weight) in Nebraska last week, \$1.90/cwt. lower than the prior week. Live weight prices in Kansas declined \$1.04/cwt. to average \$79.10/cwt. Slumping boxed beef prices fueled the cattle price decline. Choice boxed beef prices averaged \$129.77/cwt. last week, \$4.10/cwt. below the prior week's average. Declines in fed cattle prices, and expected availability of Canadian cattle, are pushing feeder prices lower. The Nebraska weighted average for 700-800 lb. steers last week was nearly \$7/cwt. lower than the prior week and 500-600 lb. Nebraska steers declined \$8/cwt. Prices also declined in Kansas, but the declines were smaller, in part because Kansas feeder cattle prices were already lower than in Nebraska. As a result, prices for 700-800 lb. steers were about the same in Kansas as in Nebraska last week. In contrast, during the prior week 700-800 lb. steers in Nebraska averaged about \$5/cwt higher than the same weight steers in Kansas.

| | Last Week | Previous Week | Last Year |
|---|----------------------|--------------------------|----------------------|
| Kansas Fed Steer Price, live weight | \$79.09 | \$80.14 | \$84.67 |
| Nebraska Fed Steer Price, dressed weight | \$124.94 | \$126.89 | \$132.63 |
| 700-800 lb. Feeder Steer Price, KS 3 market average | \$113.31 | \$115.36 | \$119.03 |
| 500-600 lb. Feeder Steer Price, KS 3 market average | \$126.82 | \$129.79 | \$128.84 |
| 700-800 lb. Feeder Steer Price, NE 7 market average | \$113.13 | \$120.26 | \$120.54 |
| 500-600 lb. Feeder Steer Price, NE 7 market average | \$133.87 | \$141.79 | \$141.95 |
| Choice Boxed Beef Price, 600-900 lb. carcass | \$129.77 | \$133.87 | \$136.69 |
| Choice-Select Spread, 600-900 lb. carcass | \$5.48 | \$4.37 | \$2.37 |