

Darrell R. Mark, Ph.D.**Asst. Professor, Department of Agricultural Economics, University of Nebraska****August Saw Drop In Placements**

Last Friday, USDA reported there were 10 million head of cattle on feed as of September 1, 2005, consistent with the average pre-release estimates. That puts the on-feed inventory 0.3% above last year and 2.3% lower than the previous 5-year average. USDA placed August marketings at 2.03 million head, although 5.5% above last year, the average pre-release estimate called for a 7-8% increase in marketings. Even though the marketings number was lower than many expected, August still posted an increase of about 1% in average daily marketings, after accounting for August 2005 having one more marketing day than August 2004. Further, at 20.1%, marketings as a percentage of the cattle on feed inventory increased more than 3% in August 2005 compared to last year, representing the first year-to-year improvement in the marketings pace in 2005.

Seasonally, the number of cattle on feed for more than 120 days finds its summer low on September 1. That trend appears to be occurring again, with a decrease of 462,000 head of cattle on feed for more than 120 days on September 1 compared to August 1, the sixth consecutive month seeing a decrease. Still, 2.6 million head on feed for more than 120 days on September 1 represents an increase of 8.2% compared to last year. Recent strength in the fed cattle market in the past few weeks, coupled with above normal animal performance, likely has encouraged feeders to continue marketing cattle aggressively during September. This suggests relatively good marketings for September and additional price support for the fourth quarter.

Cattle feeders apparently responded to the largest losses on closeouts for the year occurring during July and August by placing fewer cattle on feed last month. August placements, at 1.94 million head, were down 5.2% from last year and 12.4% from the 5-year average. The trade expected less than a 3% decrease in placements prior to the release of the report. This slowdown in placements should lend additional support to fed cattle prices in the first quarter of 2006. Only the 800+ lb. placement weight category showed an increase (up 5.7%). Lighter placement weight categories were down 4.4% to 17.4%. Placements of feeder cattle into feedlots could also be slowed during September and October due to strong demand for cattle to graze southern wheat pastures and the transportation difficulties of originating feeder cattle out of the southeastern U.S. following the recent hurricanes. Conversely, higher slaughter cattle prices, cheap corn, and improved breakevens this month should also keep feeder cattle demand strong from feedlots. Thus, feeder cattle prices are likely to remain strong for the next several weeks, offering sellers a good pricing opportunity.

The Markets

The higher fed cattle prices seen two weeks ago struggled to hold last week, but still remain better than earlier expected. For the week, Kansas fed cattle prices were steady to \$0.50/cwt lower at \$86.36/cwt. Dressed sales in Nebraska were off \$2-3/cwt at mostly \$133-134. Choice boxed beef continued its counter-seasonal rally last week, with another \$1.27/cwt increase. The Choice-Select widened another \$0.53 to \$11.62/cwt. Weekly average feeder cattle prices in Kansas and Nebraska last week were mostly steady last week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$86.36	\$86.80	\$84.09
Neb. Fed Steer Price, dressed weight	\$133.69	\$136.64	\$131.78
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$117.31	\$117.92	\$118.08
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$129.48	\$132.02	\$128.51
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$121.97	\$122.29	\$119.68
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$137.10	\$137.57	\$128.58
Choice Boxed Beef Price, 600-900 lb. carcass	\$140.34	\$139.07	\$135.90
Choice-Select Spread, 600-900 lb. carcass	\$11.62	\$11.09	\$3.80