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Herd Rebuilding Is Underway

U.S. cattle producers seem to be intent on rebuilding their herds during 2005 as slaughter data continues to indicate that producers are holding back females from slaughter. Through mid-September heifer slaughter was down 5% and total cow slaughter was down 7%, both compared to a year ago. In contrast, steer slaughter was actually up 3% vs. 2004.

In the past the ratio of female (heifer and cow) to steer slaughter has been a reliable indicator of herd expansion. As the ratio declines it indicates producers are holding females back from slaughter in an attempt to rebuild their herds. In contrast, as the ratio rises it indicates producers are actually liquidating their herds. Through mid-September female slaughter equaled just 85% of steer slaughter. Last year at the same time female slaughter equaled 93% of steer slaughter. During 2004 U.S. producers increased herd size by about 1%. Given the sharp decline in female slaughter relative to steer slaughter this year, it looks herd expansion is accelerating. As a result, it would not be surprising to see the January 1, 2006 all cattle and calves inventory increase by 2% or more compared to the prior year.

In The Markets

Slaughter cattle prices continued to strengthen last week, averaging \$87/cwt. (live weight) in Kansas and \$136/cwt. (carcass weight) in Nebraska. Weekly average Choice boxed beef values declined again last week, averaging \$137.56 per cwt. But Choice boxed beef prices have rallied so far this week, trading near \$143/cwt. on 10.05 and 10.06. Feeders have responded to the strength in boxed beef values by holding out for higher prices and, as a result, few fed cattle have changed hands on the High Plains this week, through Thursday. Feeders were quick to respond to improving fed cattle prices by bidding higher for most feeder cattle last week. Breakevens for 750 pound steers placed on feed last week in Kansas at \$118.47/cwt. are in the mid-\$90's/cwt. for cattle expected to reach slaughter weight during the last half of February.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$87.08	\$86.39	\$84.22
Nebraska Fed Steer Price, dressed weight	\$136.00	\$133.69	\$130.15
700-800 lb. Feeder Steer Price, KS 3 market average	\$118.57	\$117.31	\$116.69
500-600 lb. Feeder Steer Price, KS 3 market average	\$131.51	\$129.48	\$126.62
700-800 lb. Feeder Steer Price, NE 7 market average	\$122.06	\$121.97	\$120.09
500-600 lb. Feeder Steer Price, NE 7 market average	\$138.67	\$137.10	\$127.73
Choice Boxed Beef Price, 600-900 lb. carcass	\$137.56	\$140.34	\$134.83
Choice-Select Spread, 600-900 lb. carcass	\$12.47	\$11.62	\$3.88