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Record Cattle on Feed Inventory

In its monthly Cattle on Feed report released last Friday, USDA-NASS estimated the total number of cattle on feed in lots with more than 1,000 head at 12.1 million head on February 1, 2006, 6.8% larger than last year and slightly larger than the average trade pre-release estimate. This is the largest inventory recorded in the current data series beginning in 1996.

Year-over-year increases in placements for the past four months have contributed to this large inventory. Net placements on feed in January, at 2.12 million head, were up 16.8% from last year, more than the average trade estimate. Most of the increase in gross placements were in southern states where wheat pasture availability was limited due to drought: Texas was up 27%, Oklahoma was up 18%, and Kansas was up 20%. Arizona and Colorado saw large increases of about 30% as well. Only South Dakota saw a reduction in placements during January compared to last year. Placements in Nebraska were the same as in January 2005. Likely, feedyards in both these states are at capacity and were unable to place more cattle last month. The largest increase in feeder cattle placements was in the less than 600 lb. category, which posted a 40% increase over last year. These lightweight feeders are most impacted by the drought conditions in the south (Texas saw a 75% increase in lightweight placements). Placements of 700-800 lb. and 800+ lb. cattle were up 12% and 24% respectively. Only the 600-700 lb. placement category saw a modest decrease. The increased January placements will put additional pressure on the fed cattle market in late spring and mid-summer. Marketings during January were 1.8 million head, about 2% higher than last year.

Feedyard Capacity Grows in 2006

The February Cattle on Feed report also contained information on the number and size of feedyards. At the end of 2005, there were 2,199 feedyards with more than 1,000 head capacities. These feedyards accounted for 83.5% of all cattle on feed inventory. The remaining 16.5% of the on feed inventory was held in the 86,000 feedyards with less than 1,000 head capacities. Compared to the previous year, this represents a decrease of 2,000 lots in the smaller size category and an increase of 23 lots in the 1,000+ category.

At the beginning of 2006, the total capacity of 1,000+ feedyards was estimated at 16.8 million head, 200,000 head more than a year ago. In terms of January 1 inventory, all size categories of feedyards saw increases, but the smaller and larger feedyards had more cattle on feed at the beginning of this year relative to last year. The 1,000-3,999 head capacity lots and 32,000+ head capacity lots had 6.7% and 5.7% more cattle on feed on January 1, 2006 compared to 2005. Smaller inventory increases of 3.5% and 1.5% were noted for the 4,000-15,999 head and 16,000-31,999 head capacity lots, respectively.

The Markets

Slaughter cattle prices were mostly steady last week in Kansas, with live trade averaging \$89.01 for the second week in a row. Nebraska dressed steer prices were up about \$2.10/cwt, averaging \$143. Processors' decision to cut back slaughter in the past couple weeks continued to increase wholesale beef prices. For the week, Choice boxed beef prices jumped \$4.76/cwt from the previous week and the Choice-Select spread widened to \$10.46/cwt. Yearling steer prices were mostly steady in Nebraska last week and down \$1-1.50 in Kansas. Steer calf prices were nearly \$6 lower in Kansas last week, while Nebraska steer calf prices declined by about \$2.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$89.01	\$89.01	\$86.88
Neb. Fed Steer Price, dressed weight	\$143.00	\$140.87	\$136.88
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$108.32	\$109.70	\$102.59
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$135.16	\$140.97	\$126.81
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$115.91	\$115.74	\$105.40
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$142.24	\$144.38	\$131.24
Choice Boxed Beef Price, 600-900 lb. carcass	\$153.21	\$148.45	\$139.24
Choice-Select Spread, 600-900 lb. carcass	\$10.47	\$10.03	\$2.46