



**In The Cattle Markets**  
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**James Mintert, Ph.D.**  
**Professor, Department of Agricultural Economics, Kansas State University**

**Drought Conditions Push Cow Slaughter Up**

Through late April 2006 cow slaughter was above last year's. Federally inspected cow slaughter totaled 1.626 million head from January through April this year, about 47 thousand head (3 percent) more than last year. All of the increase was attributable to an increase in beef cow slaughter. Beef cow slaughter during the first four months of 2006 totaled 0.878 million head, up about 72 thousand head (9 percent) compared to the same period in 2005, whereas dairy cow slaughter during the same period was actually about 3 percent smaller than a year earlier.

Poor pasture conditions in some key states, such as Texas, are motivating the increase in beef cow slaughter. This becomes apparent when the comparisons between 2005 and 2006 are made month-by-month. Early in the year beef cow slaughter was larger than in 2005, but the increases in weekly slaughter volume averaged less than 5 percent during January and about 1 percent during February. However, during March and April weekly beef cow slaughter averaged 13 and 17 percent above 2005's.

It's premature to conclude that the recent rise in cow slaughter means herd expansion is coming to a halt. In the past total female slaughter (cow slaughter plus heifer slaughter) relative to steer slaughter has been a reliable indicator regarding whether producers were expanding or contracting their herds. And that indicator still suggests that modest expansion is likely underway. Heifer slaughter this year has been noticeably smaller than a year ago, declining 6.6 percent compared to 2005. As a result, the ratio of female to steer slaughter this year has actually fallen below last year's. Through the end of April female slaughter as a percentage of steer slaughter was about 90 percent. Last year at this time the ratio was about 94 percent. When female slaughter as a percentage of steer slaughter is declining it indicates producers are attempting to expand herds. Whether or not U.S. producers expand their herds during 2006 will depend in part on weather conditions the rest of the year.

**In The Markets**

Slaughter steer prices in Kansas have been trading between \$78 and \$79 per cwt. (live weight) for three weeks in a row. Last week's average was \$78.12. The last time prices were above \$80/cwt. was the week ending April 21<sup>st</sup>. In contrast, the weekly weighted average dressed weight price in Nebraska continued to drift lower last week, dipping to \$124.06/cwt., down from \$125.84 a week earlier. Slaughter cattle prices last week were 19 and 18 percent below their late January peaks in Kansas and Nebraska, respectively. So far this year Kansas slaughter steer prices have averaged \$87.06/cwt., which is just 2.1% higher than the year ago average of \$85.27/cwt. Similarly, dressed weight slaughter steer prices in Nebraska have averaged \$138.30/cwt. so far in 2006, just 1.5% higher than the year ago average of \$136.27/cwt. USDA's weekly averaged Choice boxed beef cutout value declined \$2.33/cwt. last week, but the Choice-Select boxed beef price spread reached \$19.50/cwt., easily exceeding last year's peak spread of \$16.53/cwt. in early May. Feeder cattle prices in Kansas last week were steady for

700-800 pound steers, averaging \$103.41/cwt. whereas prices for light weight steers were higher on light volume. A 750 pound steer placed on feed at last week's Kansas average price of \$103.41/cwt. would likely require a sale price between \$84 and \$85 per cwt. during early October to breakeven. Although this is still higher than cash prices implied by October live cattle futures for this fall, the gap between projected breakevens and futures prices has narrowed appreciably in recent weeks.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$78.12	\$78.03	\$90.22
Nebraska Fed Steer Price, dressed weight	\$124.06	\$125.84	\$142.58
700-800 lb. Feeder Steer Price, KS 3 market average	\$103.41	\$103.32	\$114.60
500-600 lb. Feeder Steer Price, KS 3 market average	\$131.40	\$125.56	\$135.64
700-800 lb. Feeder Steer Price, NE 7 market average	\$106.16	\$107.48	\$121.30
500-600 lb. Feeder Steer Price, NE 7 market average	\$130.23	\$137.00	\$148.59
Choice Boxed Beef Price, 600-900 lb. carcass	\$146.29	\$148.62	\$155.63
Choice-Select Spread, 600-900 lb. carcass	\$19.50	\$18.19	\$15.90