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Last week's *Cattle On Feed* report provided a boost to both cash prices and futures prices. The biggest surprise on the report was the fact that placements of cattle on feed during May were smaller than expected. Net placements on feed during May were 15.5% smaller than last year and were 19% smaller than the five year average. The decline in placements during May was large enough that it pulled total placements during the last four months about 212,000 head below a year ago, a decline of 3.3%. Overall, the report suggests that fed cattle marketings in late summer and early fall will not be as large as previously expected. In response to the report, futures prices rallied sharply, before weakening on Thursday, 6/29/06. For example, August live cattle futures closed at \$84.65/cwt. before the report was released, but traded as high as \$88 earlier this week. Thursday's settlement price was \$85.57/cwt.

Recent cattle slaughter and beef production levels have been far above a year ago. Over the last four weeks, federally inspected cattle slaughter averaged nearly 8% higher than last year and beef production over the same period averaged nearly 9% above 2005's. Despite the bullish on feed report, it still looks like cattle slaughter will remain above year ago levels for the foreseeable future. Looking ahead, year-to-year increases in cattle slaughter are expected to moderate this summer, but could still average 3 to 4% above 2005's. Dressed cattle weights are moderating, but will be slightly heavier than last year. As a result, beef production this summer will be 4 to 5% above last year's level. Production this fall is also expected to remain above 2005's, with beef production likely to remain at least 4% higher than a year earlier.

So, even though last week's on feed report was good news, we're not out of the woods yet. Kansas slaughter cattle prices this summer are still expected to trade primarily in the low \$80's, although some prices some weeks are likely to reach the mid-\$80's.

In The Markets

Slaughter steer prices in Kansas averaged \$83.30 per cwt. (live weight) the week ending 6/24/06, \$3.10/cwt. higher than the prior week. Similarly, Nebraska slaughter prices jumped nearly \$5/cwt. to average \$129.66/cwt. Late trade following last week's bullish Cattle On Feed report helped push the weekly averages up. So far this week trade has been limited, although some trade in Nebraska developed on 6/29/06 at prices \$1 to \$2 higher than a week earlier. Feeder cattle prices in Kansas last week were higher for 700-800 pound steers, averaging \$112.81/cwt. whereas not enough light weight cattle traded to establish a market. A 750 pound steer placed on feed at last week's Kansas average price of \$112.81/cwt. would likely require a sale price in the low \$90's per cwt. in early November to breakeven. December live cattle futures closed at \$89.58 on 6/29/06. Relying on average basis levels from the last three years to forecast a Kansas cash price average in November, the futures market suggests that Kansas cash prices will average about \$89.25/cwt., about \$2/cwt. below the expected breakeven.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$83.30	\$80.20	\$82.08
Nebraska Fed Steer Price, dressed weight	\$129.66	\$124.87	\$129.53
700-800 lb. Feeder Steer Price, KS 3 market average	\$112.81	\$110.60	\$113.07
500-600 lb. Feeder Steer Price, KS 3 market average	N/A	\$127.77	\$130.25
700-800 lb. Feeder Steer Price, NE 7 market average	\$119.88	\$115.47	\$118.26
500-600 lb. Feeder Steer Price, NE 7 market average	\$142.31	\$132.62	\$135.00
Choice Boxed Beef Price, 600-900 lb. carcass	\$152.28	\$152.10	\$134.61
Choice-Select Spread, 600-900 lb. carcass	\$22.68	\$22.83	\$2.44