

**Darrell R. Mark, Ph.D.**  
Asst. Professor, Department of Agricultural Economics, University of Nebraska

### **July Placements Surge; Cow Herd Expansion Slows**

USDA-NASS released both the July Cattle on Feed report and the mid-year Cattle Inventory report last Friday. Both seemed to tell the story of the continuing drought that has plagued the southern and western plains since the beginning of the year. After a surprising drop in placements of cattle on feed during May, feeders placed 10.7% more cattle during June. This is about 10 percentage points higher than the average pre-release trade estimate and two points higher than the highest estimate. The increased June placements were lighter weight feeders: placements of cattle less than 600 lbs and 600-700 lbs. were up 37% and 24% respectively, while placements weighing over 700 lbs. were down 5-6% from last year. The increased placements of lighter weight cattle suggest some light stockers may be coming off grass early and that early weaning may be taking place. Both would be due to drought conditions. Thus, supplies of feeder cattle may be tighter than expected this fall. Further, it points to increased slaughter numbers for the first quarter of 2007 that may pressure fed cattle prices. As a result, live cattle and feeder cattle futures were down around \$2/cwt on Monday morning.

June marketings were more encouraging however. At 2.2 million head, last month's marketings were up 6.3% (slightly above trade expectations). Still, the July 1 cattle on feed inventory for the 1,000+ head capacity feedyards was 10.87 million head, 4.6% higher than last year and the second highest July 1 on feed inventory since the beginning of the data in 1996. For the last couple of months, marketings appear to have been relatively positive and on feed inventories were only moderately larger than last year. However, the growing front-end supply of cattle on feed is concerning. The number of cattle on feed for more than 120 days, at 3.9 million head, was up 18.2% from last year. This is the fourth consecutive month of double-digit increases. And, it is translating to increasingly larger dressed weights.

The Cattle Inventory report contained few surprises. USDA estimated the July 1 all cattle and calf inventory at 105.7 million head, up 1.1% from July 1, 2005 and in line with trade estimates. Both the beef cow and dairy cow inventory grew only 100,000 head from last year. Despite profitability the past several years in the cow-calf sector, herd expansion hasn't occurred to a large extent yet, most likely due to limited feed supplies and drought ravaged pastures. Further, it appears that future expansion will be relatively slow as well. The number of heifers held for beef cow replacements in 2006 was estimated at 5 million head, unchanged from last year.

The slow growth in the beef cow herd over the past couple of years translates into a very small increase (0.3%) in the calf crop expected for 2006. At 37.9 million calves, the inventory is less than 400,000 head more than the 2004 calf crop (the smallest in history). As a result, calf supplies this fall are expected to remain relatively tight, leading to another year of relatively high feeder cattle prices.

## The Markets

Last week, Nebraska dressed steer prices were \$1-2/cwt lower, with prices averaging \$126.19 for the week. Fed cattle prices in Kansas declined about \$2/cwt to average the week at mostly \$79/cwt. Choice boxed beef prices dropped \$5.47/cwt, likely in response to slowing demand associated with the “dog days” of summer. The choice-select spread narrowed \$2.35 last week. Feeder cattle prices were mostly steady last week in Kansas. Yearling feeder steer prices averaged about \$1/cwt lower in Nebraska for the week, while Nebraska steer calf prices were down about \$3/cwt.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$79.26	\$81.22	\$79.09
Neb. Fed Steer Price, dressed weight	\$126.19	\$127.87	\$124.94
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$117.30	\$117.12	\$113.31
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$131.10	\$131.58	\$126.82
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$121.37	\$122.15	\$113.13
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$138.83	\$141.87	\$133.87
Choice Boxed Beef Price, 600-900 lb. carcass	\$144.12	\$149.59	\$129.77
Choice-Select Spread, 600-900 lb. carcass	\$19.70	\$22.05	\$5.48