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## **In The Cattle Markets**

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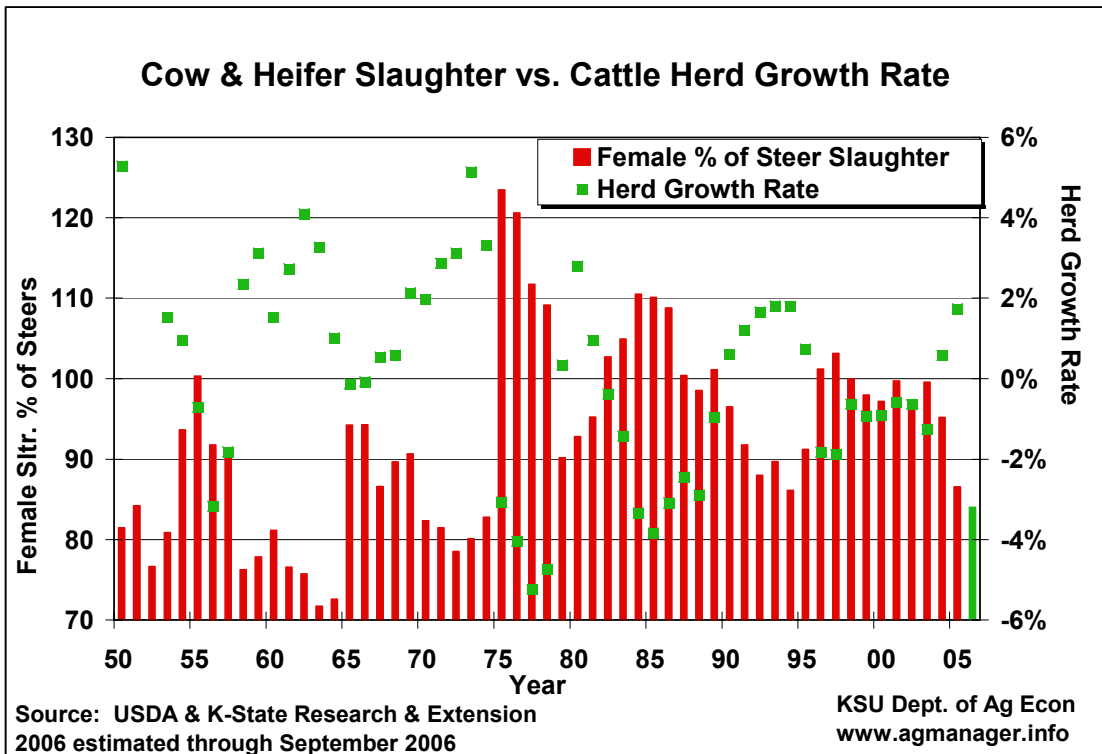
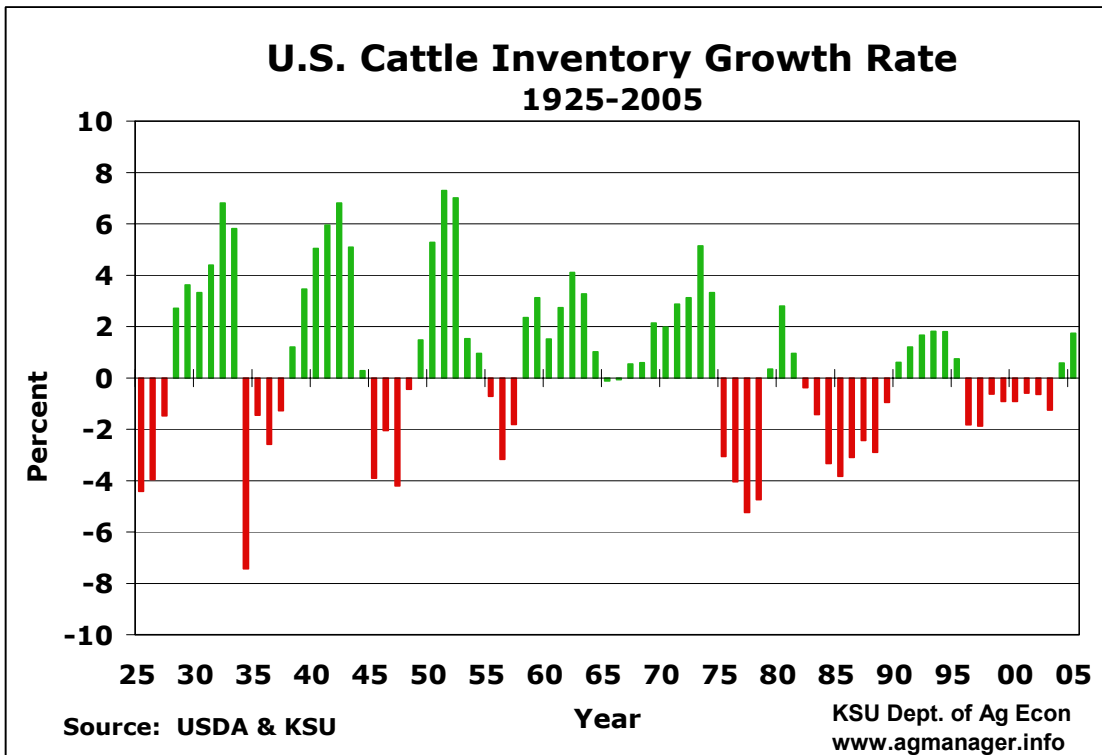
### **Rising Beef Cow Slaughter Putting Expansion Plans On Hold?**

Beef cow slaughter during 2006 (through late September) has been about 17 percent larger than during 2005. Dairy cow slaughter, on the other hand, has only increased 3.3 percent compared to a year ago. This year's beef and dairy cow slaughter combined total has been 10.5 percent larger than last year at this time. But totals for the year tend to mask what's really taken place. A quarter-by-quarter examination of the data reveals that beef cow slaughter accelerated dramatically as the year progressed. Beef cow slaughter was just 6.5 percent above 2005's during the January-March quarter, but the year-to-year increase rose to 15.3 percent during the April-June quarter. Drought and poor pasture conditions combined to encourage more aggressive culling this summer as July-September quarter beef cow slaughter was nearly 31 percent larger than in 2005. The big rise in beef cow slaughter has stimulated speculation that the U.S. has shifted from herd expansion to herd liquidation? Is that really the case?

Federally inspected cattle slaughter during the first nine months of 2006 was 4.1 percent larger than last year. At the same time, steer slaughter rose 5.1 percent, but heifer slaughter declined 0.4 percent, both compared to last year. The fact that heifer slaughter has been running so far behind steer slaughter suggests that, in some cases, producers have been aggressively culling cows while holding back more heifers.

In years past the ratio of total female (cow plus heifer) slaughter to steer slaughter has provided a good indication of whether producers were expanding or contracting the U.S. cattle herd. When the ratio of female to steer slaughter dropped well below one, U.S. producers were generally expanding their herds. Conversely, when producers slaughter more females than steers (ratio greater than one) producers were liquidating. So far this year the ratio of female to steer slaughter is 0.833 suggesting that producers are still trying to expand their herds, despite the drought and poor pasture conditions.

Will producers actually be able to expand the size of the U.S. herd this year, despite the big increase in cow slaughter? Maybe, although it seems doubtful. Fourth quarter slaughter for both cows and heifers will ultimately determine what happens. But the slaughter data from the first nine months of 2006 does indicate that U.S. producers have not shifted into liquidation mode this year.



#### The Markets

Slaughter cattle prices weakened last week, averaging \$90.40/cwt. (live weight) in Kansas and \$139.70/cwt. (dressed weight) in Nebraska. Slaughter cattle prices in both markets were down slightly compared to a week earlier, but remained above year ago levels. Prices for Choice boxed beef also increased moderately last week, averaging \$142.35/cwt. The weekly

average Choice-Select spread declined to \$8.10/cwt., \$0.58 below a week earlier. Feeder cattle and calf trade was too thin to report an average, but prices in Nebraska were somewhat weaker across all weight classes.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$90.40	\$91.74	\$89.04
Neb. Fed Steer Price, dressed weight	\$139.70	\$140.32	\$137.47
700-800 lb. Feeder Steer Price, Kansas 4 market average	--	\$117.38	\$118.52
500-600 lb. Feeder Steer Price, Kansas 4 market average	--	\$128.41	\$131.83
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$119.54	\$120.73	\$123.19
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$128.75	\$130.81	\$136.53
Choice Boxed Beef Price, 600-900 lb. carcass	\$142.35	\$141.34	\$141.68
Choice-Select Spread, 600-900 lb. carcass	\$8.10	\$8.68	\$11.95