

In The Cattle Markets

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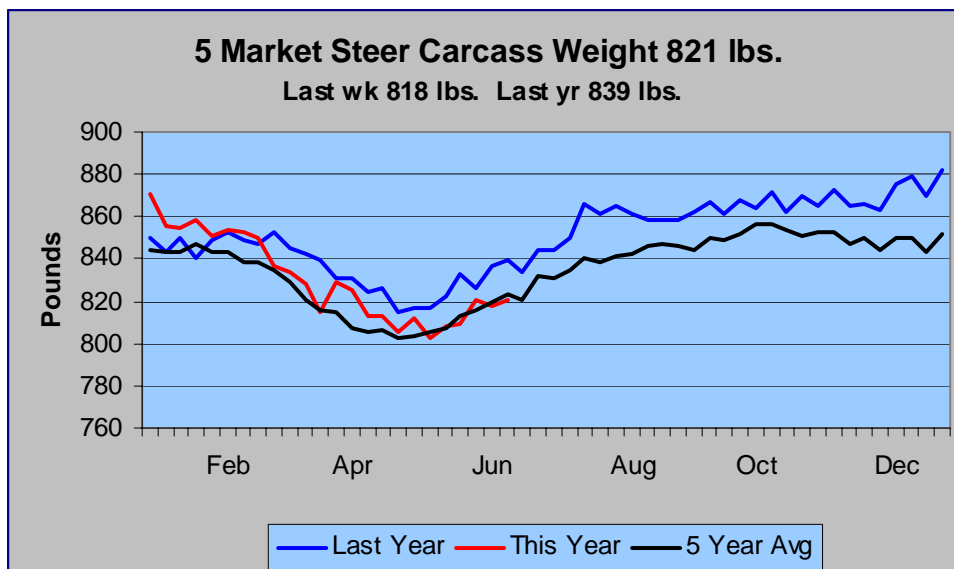
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Carcass Weights

Fed cattle prices have been declining for the last few weeks but are still higher than they were a year ago. However, Choice beef prices are now lower than they were a year ago. There are a number of factors that might explain this difference; one of these is fed cattle carcass weights. Carcass weights declined more than the typical seasonal decline this winter and early spring. Much of this added decline was likely the result of harsh winter feeding conditions. However, it appears that weights are remaining lighter than they were a year ago as we move into the summer. The last few weeks, steer carcass weights have been about 20 pounds lighter than a year ago and have been equal to the five-year average. With these lighter weights, feedlots are likely in a more current condition than they were a year ago, and this improves their bargaining position with the packers. Hence, this could explain in part why fed cattle prices are higher than they were a year ago while box beef prices are lower.

It also appears that demand for beef is declining this year. Consumers' continue to face higher energy prices, and poultry and more recently pork prices have been an attractive alternative to higher beef price. The lighter carcass weights should also help to support box beef prices as less total tonnage is placed on the market. With carcass weights down about 2.5 percent, if all other factors were constant, beef prices would likely be up 4-5 percent.

Feedlots have been operating in the red for the last couple of weeks and with declining prices, there may be incentives to hold cattle longer looking for a price rebound. If this does occur, carcass weights will increase, feedlots will lose their bargaining position with packers, there will be more tonnage of beef on the market and beef and fed cattle prices will likely decline more than if marketings continue in a manner to keep carcass weights lower than last year.



The Markets

Slaughter cattle prices were lower in the south with moderate trade on Thursday and prices were equally lower in the north with a trade on Wednesday and Thursday this last week. Prices were mostly \$90, down \$1 in the south and were \$140-141 in the north, about \$4 lower. Choice boxed beef prices were also lower this week dropping about \$5, while Select prices were \$3 lower for the week. The Choice-Select spread decreased this week and is narrower than the historical level. Feeder cattle prices were lower in Kansas and Nebraska on fairly light trade this past week. Prices for 7-weight steers were about \$2/cwt lower in Kansas and \$15 lower in Nebraska and prices for lighter 5-weight calves were not reported in Kansas and were \$7 lower in Nebraska. Corn prices were \$.27 per bushel higher at Omaha this last week and the Dried Distillers Grains were steady.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$89.87	\$91.01	\$80.20
Nebraska Fed Steer Price, dressed weight	\$140.46	\$144.38	\$124.87
700-800 lb. Feeder Steer Price, KS 3 market average	\$107.18	\$109.12	\$110.60
500-600 lb. Feeder Steer Price, KS 3 market average	--	\$119.90	\$127.77
700-800 lb. Feeder Steer Price, NE 7 market average	\$109.15	\$123.95	\$115.47
500-600 lb. Feeder Steer Price, NE 7 market average	\$125.38	\$132.25	\$132.62
Choice Boxed Beef Price, 600-900 lb. carcass	\$147.63	\$152.72	\$152.10
Choice-Select Spread, 600-900 lb. carcass	\$6.79	\$8.12	\$22.83
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$4.08	\$3.81	\$1.98
DDG Wholesale Price, Iowa, \$/ton	\$97.50	\$97.50	\$77.50