

In The Cattle Markets

James Mintert, Ph.D.

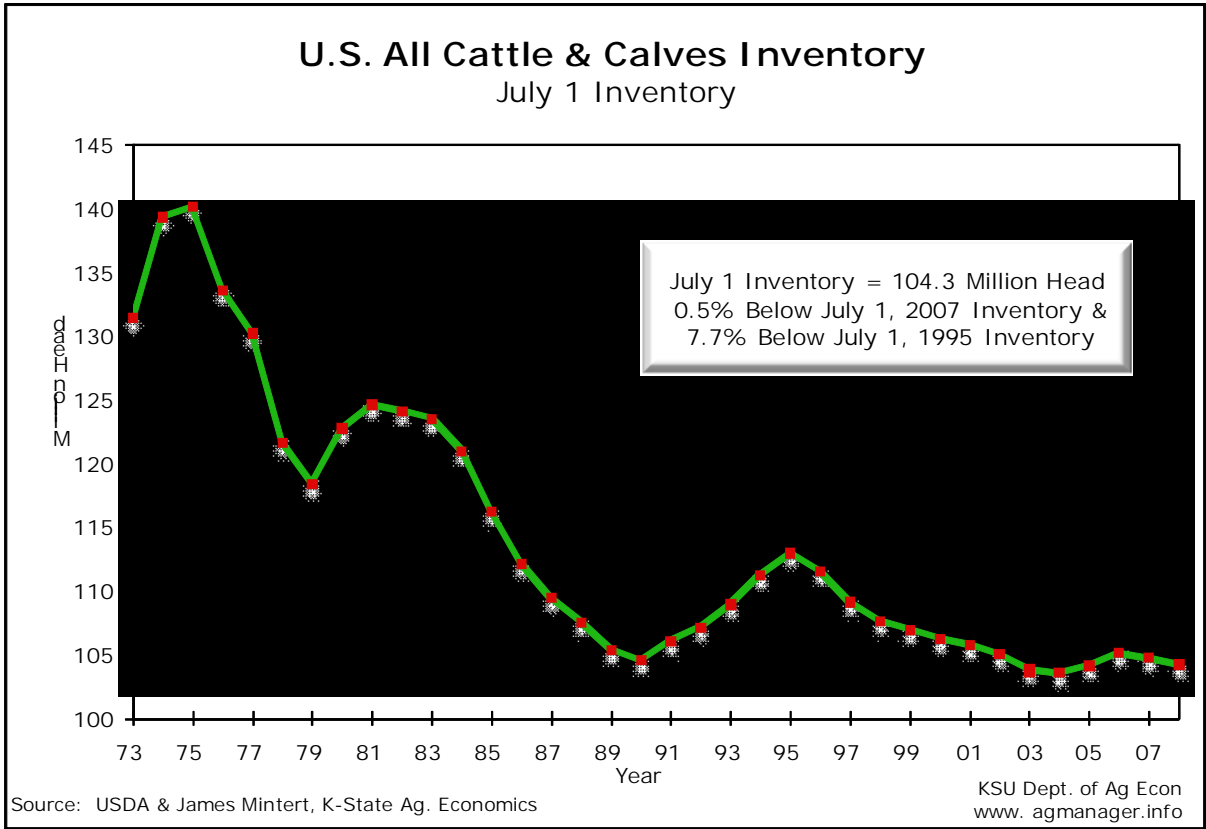
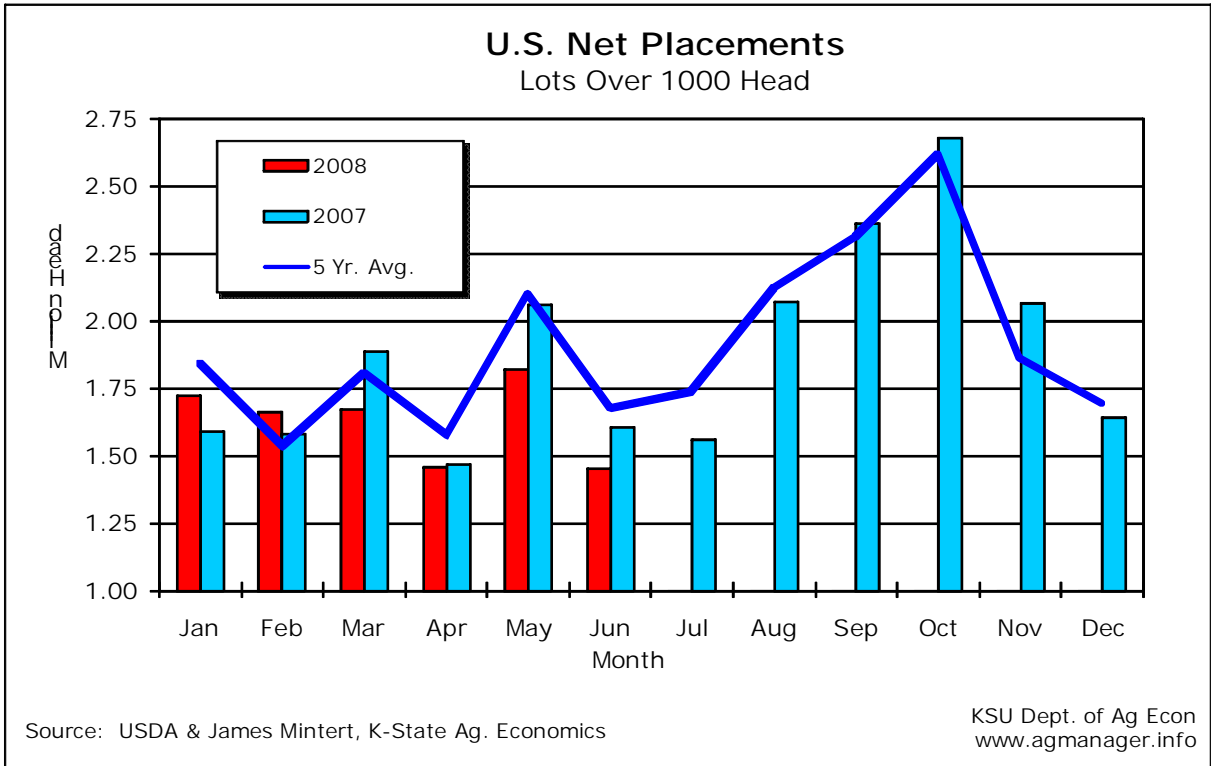
Professor, Department of Agricultural Economics, Kansas State University

Placements On Feed Remain Well Below 2007's

USDA's **Cattle On Feed** report, released on July 25th, confirmed that placements of cattle on feed are still running well below last year's pace. For example, net placements (placements minus other disappearance) on feed during June were down almost 10% compared to 2007's and were 13% smaller than the five-year average for June. More importantly, June marked the fourth month in a row that feedlot placements were smaller than last year and the five-year average for that month. In fact, when aggregated over the March-June time frame, gross placements on feed this year were down 659 thousand head compared to last year, a 9% reduction. The reduction in placements on feed is expected to lead to tighter fed cattle supplies during the rest of the year, especially during the fourth quarter.

USDA also released the July 1 cattle inventory report last week. The report confirmed that the industry continues to draw down inventories, although the liquidation's pace was still pretty slow during the first half of the year. For example, USDA indicated that the July 1 all cattle and calves inventory was down less than 1% compared to a year earlier and the preliminary estimate of the 2008 calf crop was only slightly smaller (0.3%) than last year's calf crop.

Although the July cattle inventory report suggests a very slow rate of herd liquidation is taking place, more recent slaughter data indicates the picture is changing. Federally inspected slaughter data indicates beef cow slaughter has increased markedly the last couple of months. For example, beef cow slaughter during May and June 2008 was 15% higher than in 2007. And total female slaughter (cow plus heifer slaughter) from early May through early July was 13% larger than a year ago. Based on the slaughter data, the decline in cattle inventories that USDA is likely to report on the January 1 cattle inventory report (to be released in early 2009) will be markedly larger than on last week's report.



The Markets

Slaughter cattle prices in Kansas the week ending July 25th weakened again, averaging \$94.45/cwt., a decline of about \$2/cwt. Dressed weight slaughter cattle prices in Nebraska

also declined, averaging \$151.86, about 2% lower than a week earlier. Weakness in slaughter cattle prices was precipitated by declining boxed beef prices as USDA's Choice boxed beef cutout averaged \$163.1160 last week, a 4% decline compared to a week earlier. Feeder cattle prices ranged from down slightly in Kansas to up somewhat in Nebraska as declines in corn prices supported feeder and calf prices, even though fed cattle prices declined.

	Week of 7/25/08	Week of 07/18/08	Week of 07/27/07
Kansas Fed Steer Price, live weight	\$94.45	\$96.67	\$91.19
Nebraska Fed Steer Price, dressed weight	\$151.86	\$154.47	\$141.26
700-800 lb. Feeder Steer Price, KS 3 market average	\$113.96	\$114.97	\$117.72
500-600 lb. Feeder Steer Price, KS 3 market average	\$121.58	--	\$131.50
700-800 lb. Feeder Steer Price, NE 7 market average	\$118.07	\$117.27	\$118.75
500-600 lb. Feeder Steer Price, NE 7 market average	\$129.64	\$125.04	--
Choice Boxed Beef Price, 600-900 lb. carcass	\$163.11	\$170.77	\$140.77
Choice-Select Spread, 600-900 lb. carcass	\$6.37	\$7.95	\$5.95
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$5.27	\$5.79	\$3.03
DDG Wholesale Price, Iowa, \$/ton	\$175.00	\$195.00	\$95.00