



WEEKLY OUTLOOK



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CATTLE PRICES KEEP SETTING RECORDS

After a record setting first quarter in 2005, the cattle industry is expected to continue to enjoy extremely high prices this spring and summer. Retention of females in breeding herds is keeping beef supplies under year-ago levels and demand remains favorable.

In the first quarter of 2005, finished steer and calf prices were at record highs for that time of year. Nebraska finished steers averaged \$89 for the quarter, which was 8 percent higher than during the same period last year. Steer calf prices were above \$1.25 per pound on average and feeder steers were over \$1.00 per pound, both records for the first quarter.

The strength in cattle prices is a result of both reduced supplies and strong demand components. Beef supplies for the first quarter were down two percent due to a 6 percent drop in cow and heifer supplies as females are being retained for herd rebuilding. More females in the breeding herd means U.S. beef supplies will grow in 2006 and later, but for now, it means reduced domestic beef availability.

What about supplies later this year? The recent USDA *Cattle On-Feed* report indicates that the number of cattle on feed is up 1 percent. However, the number of heifers in feedlots is down 7 percent, with steers up 5 percent. The number of cattle coming from feedlots will likely be up about 2 percent for the rest of the year, but cow slaughter may stay down about 7 percent. Thus, the total slaughter will be only slightly higher, but increased marketing weights will result in around 2 percent larger beef supply.

These numbers assume the Canadian border will not reopen to live animal shipments for animals 30 months of age or younger. If the border does open, beef supplies would swell to about a six percent increase.

Now for demand! With 2 percent more beef in the first quarter, finished cattle prices were up 8 percent, indicating a continuation of strong retail beef demand. Farm level cattle prices have also been enhanced so far this year by a narrowing of marketing margins, particularly the retail margin. This may be adding in the range of \$4 to \$5 per live hundredweight and is helping to

maintain farm prices above year-ago levels. The possibility of restoring beef exports to South Korea and Japan seems to be growing and may still occur within a few months. Opening beef exports without opening the Canadian border to live animals could add an extra \$3 to \$5 per hundredweight to already strong live prices.

Seasonal price declines are expected this spring and summer. Current finished cattle prices in the lower \$90s are likely near yearly highs. Early summer prices are expected to be in the higher \$80s and late summer prices in the lower \$80s. Prices are expected to recover in the last quarter of the year into the mid-to higher \$80s. Calf prices should remain quiet strong as well. Oklahoma City 500-550 pound steer calves averaged an all-time high of \$1.29 per pound in the first quarter. Some moderation in these prices is anticipated, with fall prices expected to be in the \$1.10 to \$1.20 range.

The year is off to a record start. Prospects remain positive for the rest of the year as well, with the big uncertainty being the opening of the Canadian border. Cattle producers are responding to very favorable returns by holding on to cows longer and by retaining more heifers. The next indications of the extent of this build-up will be contained in USDA's July 22 *Cattle* report.

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