



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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DECLINE IN CATTLE FEEDING ENDS

LOWER FEED COSTS AND RELATIVELY STABLE AND FAVORABLE PRICES FOR FED CATTLE have improved the profit prospects in cattle feeding. The prices of feeder cattle have improved, but the large supply and lack of demand for cattle to put on wheat pasture have served to hold down price rises. This situation has resulted in a reversal of the downward trend in cattle on feed.

The USDA report of cattle on feed in the twenty-three major states as of October 1 showed 9.3 million on feed. This was an increase of 2 percent from the previous year. Yet, this was still 23 percent below the number being fed on October 1, 1973. The increase came from more heifers and heifer calves being fed--2.9 million compared to 2.4 million last year, a 23-percent increase. Steers and steer calves at 6.3 million were down 6 percent from last year.

The most significant item was the sharp increase in cattle being placed on feed. For the quarter in the twenty-three states, 6 million head were placed on feed--a 22-percent increase. For the seven states that have monthly reports, placements during September increased from 1.1 million last year to almost 2.1 million this year--an 85-percent increase. The decline in grain prices will further increase this movement, and the prices of feeder cattle will rise.

These facts do indicate a change in trend, but do not indicate an immediate increase in fed beef supplies. Fed beef will continue to be in short supply. Feeders indicated they intended to market 9 percent fewer fed cattle in the fourth quarter than they did last year. This is the same percentage reduction reported for the past quarter.

The weight distribution of cattle on feed indicates further that increases in marketings will not come soon. The steers over 1,100 pounds numbered only 287 thousand--down 54 percent; those from 900 to 1,099 pounds, 1.8 million--down 28 percent; the 700- to 899-pound group totaled 2.4 million--a 7-percent increase; and those weighing 500 to 699 pounds numbered 1.5 million--up 37 percent. For heifers, those over 900 pounds totaled 410 thousand--down 13 percent; the 700- to 899-pound group

numbered 1.2 million--a 14-percent increase; and heifers weighing 500 to 699 pounds were near 1.1 million--up 57 percent. These data indicate that it will be about the first of the year before the slaughter of fed cattle will be as large as last year, and late winter or spring before sizable increases could occur.

Cattle slaughter has been large. It is likely to increase further from more nonfed cattle in the next several weeks. Yet with the increased interest in cattle for feed lots, the slaughter rate probably will not increase as much as has been expected earlier. The increase in nonfed slaughter may be enough to lower the prices of choice cattle slightly, but the declines will not be large. The reduced supplies of pork will mean that the total meat supply in the last quarter of 1975 will be less than that of a year ago. If consumer demand continues to be strong, there is little reason to expect much price weakness for choice cattle.

Next year, the indications are for a sizable increase in fed beef. Yet, consumer demand will add further strength to the market. Fed cattle should continue to provide favorable returns unless marketings become heavily bunched at some period.

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