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ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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CONTINUED PROBLEMS FOR CATTLE FEEDERS

THE TROUBLED CATTLE INDUSTRY looked with hope for some good news in two recent USDA reports. Unfortunately they did not offer much encouragement for the next few months. These reports were "Cattle on Feed" as of July 1, released July 19, and "Cattle Inventory" as of July 1, released July 26.

Cattle on Feed. The 10 million head of cattle on feed in July was a 17-percent increase from the low level of 1975, but was lower than the number in each year from 1970 to 1974. Most of the increase was in the heavier categories. The combined number of heifers over 700 pounds and steers over 900 pounds was up 27 percent. Most of these cattle will be marketed in the July-September quarter. Producers indicated they expected to market 6 million cattle in the July-September period, a 19-percent increase over last year but about equal to the number marketed in the April-June quarter. A strong psychological factor on the market was the 565,000 steers weighing over 1,100 pounds--a 70-percent increase over last year. Actually the number of heavier cattle was quite low last year, and compared with previous years the current number is not greatly out of line. But it probably does indicate some back-up of cattle which will sell at a discount and be a heavy drag on the market.

Cattle placed on feed in the April-June quarter totaled 5.6 million head, only 1 percent more than last year. The losses incurred as cattle were marketed has slowed the build-up of cattle on feed. The fourth quarter slaughter of fed cattle, while higher than last year, will probably be less than the three previous quarters of this year.

Cattle Inventory. Total number of cattle on farms and ranches July 1 was 133.5 million head, a reduction of 5 percent from the 140.1 million last July 1. Beef cows totaled 42.8 million, a 9-percent reduction; heifers saved for beef herds numbered 6.5 million, a 12-percent reduction; and calves totaled 39.3 million, an 8-percent reduction.

Implications. The number of cattle on feed does not appear unduly larger than in past years. The more important factors are the slaughter of non-fed cattle and the strength of consumer demand. Very little possibility exists for a rapid improvement in the market. With present prices and some areas of drouth, non-fed slaughter will likely continue to be sizable. Consumer demand is rather

unpredictable, but a reduction in the wide marketing margins could improve feeder returns. If placements drop and fed marketings are reduced as well as total slaughter, prices may show an improvement to the mid forties by winter. A reduction in supply might result in more competition and a reduction in marketing margins.

The cattle inventory indicates that, as expected, beef herds are being sharply reduced. This should result in a much closer balance with the market for beef next year. The inventory figures also indicate that there will be a reduction in cattle to move into feedlots this fall. This reduction will be helpful for feeders next year but provides little comfort for the immediate future.

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