



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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CONTINUED UNCERTAINTY FOR CATTLEMEN

THE NUMBER OF CATTLE ON FEED in the seven major states on March 1 was down 7 percent from a year ago. Slaughter has been running slightly below last year. Cattle have been moving to market in an orderly manner, with no backlog of heavy cattle. Yet, the prices of fed cattle have not increased. This is not only discouraging for cattlemen but it continues to be costly.

The seven-state Cattle on Feed report indicated that during February, placements of cattle on feed were down 3 percent while marketings of fed cattle were 2 percent above a year ago. These changes in placements and marketings helped to bring the numbers down to 7 percent below those of last year.

Strikes in some packing plants and eastern retail outlets have interrupted normal trade.

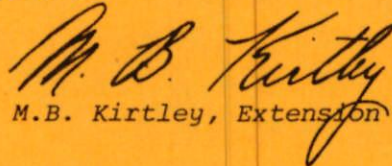
For the past two years, cattle prices have risen sharply beginning in the latter part of March. The availability of pasture usually starts to reduce the slaughter of non-fed cattle and cows at that time. This year's weather will be very critical in terms of how much of a reduction occurs. If many areas remain dry, there will be less than the usual amount of pasture. If drought conditions become more severe, a sizeable amount of liquidation could result in even lower prices. The low wheat prices in prospect for this year may provide more pasture. Quite possibly many ranchers may feel that they can realize a higher return by using their wheat for pasture rather than by harvesting it.

With some improvement in pasture, the slaughter of non-fed cattle will be reduced. In a few weeks, the slaughter of fed cattle will drop under last year's level. From a supply situation, it would appear that the market would strengthen. Demand should have some seasonal rise. Cuts in income from the severe winter weather now seem to be past, and a further improvement in the economy seems likely.

Pork supplies have not increased as much as expected. Hog and pork prices have continued at higher levels than generally anticipated, so pork will not be as sharp a competitive factor as expected earlier. Poultry supplies continue to be large, however, and will continue to offer competition at retail meat counters. Total meat supplies are still at record high levels. This is probably a major reason why demand does not appear as strong as desired.

A strengthening factor in cattle prices has been the higher value of hide and offal. Presently, this amounts to about \$4.40 per hundred live weight, which is up 60 cents from a year ago.

While prices will likely improve as we move into the spring and early summer, returns in cattle feeding will not be great. It seems that this will be a year of continued adjustment in the cattle industry. If the grain crops turn out well, the demand for the reduced supply of feeder cattle still should be sufficient to improve prices over those of recent years.



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