



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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CATTLE ON FEED REPORT--LITTLE ENCOURAGEMENT

THE JULY 1 USDA CATTLE ON FEED REPORT did not provide much of the encouraging news the industry has been wanting. The total number of cattle on feed in the 23 major feeding states on July 1 was 9.75 million, a 3-percent reduction from the number of a year ago. The reduction in the number on feed was largely in steers--4 percent less than a year ago at 6.4 million head. Heifers, at 3.3 million, were only down 1 percent.

PLACEMENTS UP

During the April-June quarter, 6 million cattle were placed on feed, an increase of 7 percent from a year ago and the largest number placed on feed for that quarter since 1972. Feeders responded quickly to the higher prices of April and May and the lower feed costs.

WEIGHT OF CATTLE ON FEED

The number of steers over 1,100 pounds and heifers over 900 pounds totaled 882 thousand. These heaviest-weight categories were down 19 percent from a year ago. This was encouraging news, since it indicates that feed lots are quite current and there is no backup of heavier-weight cattle. Most of these cattle will be marketed by the end of July. The next-heavier-weight category, steers from 900 to 1,099 pounds and heifers from 700 to 899 pounds, totaled 3.9 million--an increase of 2 percent from the previous year. These cattle will provide the bulk of the fed marketings for the balance of the summer.

MARKETING INTENTIONS

In the past quarter, feeders marketed almost 6.2 million head, an increase of 4 percent from last year. They plan to market only slightly less, a little over 6 million head, during the coming quarter. That would be a decline of about 2 percent from a year ago and would be in line with the number and weight of cattle on hand.

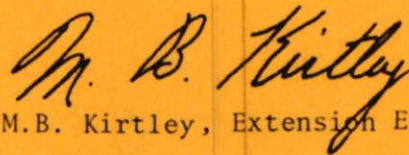
IMPLICATIONS

The July 1 report was about as expected, and is rather neutral in its possible impact on prices. The supplies of fed beef will continue at a relatively uniform flow. More important to the price of fed cattle is how much drouth conditions may force the liquidation of cattle and how much improvement may occur in consumer

demand. Slaughter in recent weeks has been running near the levels of the past year. Some of this may be attributed to drouth in the Western States and the South. This may continue.

The percent of consumer income spent for beef appears to be continuing at a reduced level this year. This is partly a result of the large supplies of meat available. Along with the large supplies of beef, pork and poultry have also been increasing. The prices of fed cattle are not likely to show significant improvements for the balance of the year; on the other hand, supplies are not likely to increase enough to cause serious price declines.

Lower feed costs will encourage feeding. The prices of feeder cattle are likely to be bid up for this reason, but feeders should not become overly optimistic and increase placements this fall more rapidly than the market justifies.



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