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CATTLE ON FEED REPORT SHOWS OVERHOLDING

THE 23-STATE REPORT OF CATTLE ON FEED released January 18 showed the expected decrease in total numbers, but an increase in heavyweights. These heavy cattle will probably continue to keep pressure on cattle prices for the next 60 days.

On January 1, there were 11.7 million cattle on feed in the leading 23 cattle-feeding states, compared to 12.7 million last year and 12.8 million 2 years ago. On the basis of those numbers, we should expect a decrease in the slaughter of fed cattle during the next 6 months of about 9 percent from last year. This is a relatively high rate of placement compared to the reduction in the total number of cattle, indicating a low rate of slaughter for non-fed cattle. We should expect a continued low rate of non-fed slaughter during the next 6 months.

There were 93 percent as many steers and steer calves on feed this January 1 compared to last year, but only 91 percent as many heifers and heifer calves. There was some rebuidling of cattle herds in 1979. The relative numbers of steers and heifers on feed indicate a more rapid rate of herd building during 1980. The herd rebuilding should keep the slaughter of cows and bulls at low levels during the next 6 months.

Marketings of fed cattle from the feedlots in the 23 states totaled 5.7 million for October-December, 1979, down 15 percent from the same period in 1978. These marketings were smaller than normal in relation to the number on feed and the weight distribution as of last October 1. Apparently, cattle feeders held cattle and fed them to heavier weights expecting higher prices. This action helped to prevent the higher prices by putting added tonage on the market. There is a carryover effect from overholding. Heifers over 900 pounds plus steers over 1,100 pounds totaled 1.513 million on January 1, compared to 1.297 million a year before. Most of these heavy cattle should have been through the system by now. The next lighter weight group of heifers 700-899 pounds and steers 900-1,099 pounds totaled 3.912 million compared to 4.329 million last January 1, a decrease of 9.6 percent. These cattle should be coming to market in February and March. The result should be sharply lower beef production. However, the problem of oversupply of heavy cattle may not be corrected so readily. Marketings that were delayed from December to January may result in a delay of normal January marketings into February, and so on.

What are the implications? In spite of a tendency to hold cattle to heavier weights, the numbers on feed and available for movement into feed lots will result in beef production substantially below year-ago levels through March. Last year, cattle feeders held back marketings during April expecting higher prices and forced their expectations to come true. The price of Choice steers at Omaha rose from an average $65 in Februrary to $75 in April. The boom was short-lived, and prices declined to $63 in August.

The fundamentals of potential beef supply and general inflation point to rising cattle prices, perhaps into the upper $70's by summer: (1) overweight cattle; (2) large pork and poultry supplies; (3) high energy costs that may reduce consumer expenditures for meat; and (4) a possible general recession.

If there are lessons in all of this they would be (1) that cattle feeders will continue to have problems until marketings are current and (2) that to delay marketings rather than take losses is a mistake.

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