



# WEEKLY OUTLOOK

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## APRIL 1 CATTLE ON FEED REPORT SHOWS THAT OVERHOLDING CONTINUES

THE NUMBER OF CATTLE ON FEED IN THE 23 PRINCIPAL FEEDING STATES was 10.2 million as of April 1, down 8 percent from a year ago and 13 percent from January 1. The April 1 report was the sixth quarterly one in a row in which the total has been below year-ago levels. The number of cattle on feed points to a further reduction in the number of fed cattle that will be available for slaughter.

There were 5.2 million cattle placed on feed during the January-March quarter, down 11 percent from the same period in 1979. On the face of it, we should expect a comparable reduction in fed cattle marketings during the July-September period. However, last summer, feeders marketed a smaller number of cattle than usual in relation to the number on feed. If feeders return to more of a normal marketing pattern, slaughter this summer will be down less than the reduction in placements.

On January 1, cattle feeders said they intended to market 6.378 million head; but they actually sold only 6.155 million. The first quarter of 1980 was the fourth one in a row in which feeders marketed significantly fewer cattle than indicated by intentions reports. The result has been a lot of heavyweight cattle.

The number of steers under 900 pounds and of heifers under 700 pounds was down 11.9 percent in the April 1 report compared to the year before, but the number of steers 900 pounds and over and heifers 700 pounds and over was down only 2.1 percent. This comparison suggests that marketings during the April-May period will total about the same as last year, but with a sharp decrease coming during the summer months. The drop in the number of heavier cattle from a year ago would have been much larger if feeders had actually marketed as many as the intentions' report showed for the January-March quarter. Marketing intentions for the April-June period are 5.914 million, down 3.2 percent from the same period last year.

A key question now is whether marketings will come up to intentions. If so, beef production may be nearly as large as a year ago through June, then decreasing sharply.

The consequence of delayed marketings has been heavier-than-usual slaughter weights and high figures for beef production. The average slaughter weight for cattle



during 1970-1974 was 1,049 pounds. That was a period of rising cattle numbers and relatively profitable feeding, a situation comparable to that of 1980. The average slaughter weight during the first half of 1979 was 1,057 pounds, rising to 1,064 during the second half and to 1,088 during the first 3 months of 1980. The increase in slaughter weights has kept beef production higher than it would have been otherwise and is the primary reason for low cattle prices. A return to more normal weights would result in sharply higher cattle prices.

A larger number of cattle on feed were found to have been implanted with DES capsules, the use of which has been banned since last October 1. Those cattle have been quarantined for 41 to 61 days. The widespread expectation is that large numbers of heavy cattle will come to market between May 15 and June 15, further depressing prices. This may occur, but could be more than offset by feeders with non-DES cattle avoiding the period. The DES problem may be the "trigger" that causes the cattle feed yards to become current.

The bottom line is that beef supplies will continue to decrease throughout 1980. There will be no big increase in pork and broiler production, as happened last year. So we expect rising cattle prices.

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