



# WEEKLY OUTLOOK

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## FEWER CATTLE ON FEED, BUT THE WEIGHTS ARE STILL UP

THE USDA REPORTED 9,619,000 cattle on feed in the 23 principal states as of July 1. This compares to 10,309,000 a year ago—a decrease of 7 percent. The total was 6 percent below the figure on April 1 and down 18 percent from January 1. The number of cattle on feed indicates a continuing decrease in the supply of fed beef coming to market during the next 6 months.

Placements on feed during the April-June quarter were 5,625,000—down 9 percent from a year ago. That figure reflects the decreased size of the beef cattle herd and high interest rates. The reduction in placements confirms the expected drop in the slaughter of fed cattle during the fourth quarter of 1980, indicated by the number of cattle on feed.

The cattle on feed can be divided by weight groups into those that can be expected to come to market during the next 90 days and in the period from 90 to 180 days. The heavyweights were 96.3 percent of the figure for July 1, 1979. The reduction in the lightweight category was greater, totaling only 91.3 percent of the figure a year ago. Compared to year-ago levels, slaughter should drop even more during the remainder of 1980.

The weight distribution indicated a disproportionate number of heavyweight cattle on feed. Heifers weighing 900 pounds and over plus steers at 1,100 pounds and more were up 1.3 percent from July 1, 1979. The next-lighter weight group—heifers at 700 to 800 pounds and steers at 900 to 1,099 pounds—was down 5.5 percent. The still-lighter weights were down by even more.

The weight distribution implies that a relatively large number of heavy cattle will be moving to market soon; but once they are gone, prices should strengthen. The problem is that this is what the report of Cattle on Feed has shown for 5 successive quarters. Each quarter, cattle feeders are asked how many cattle they intend to market during the next 90 days. The actual figures have been below market intentions by 4 to 5 percent every quarter from April-June of last year through April-June of this year. The result has been a continuous flow of overfinished cattle, rising totals for beef production, and a large number of heavy cattle at the end of each quarter. The average dressed weight of all cattle slaughtered increased from

624 pounds in January-March, 1979, to 645 pounds in April-June, 1980. If slaughter weights during the second quarter of 1980 had averaged the same as in the first quarter of 1979, total beef production would have been down 3.4 percent with substantially higher cattle prices.

In view of recent performance, we must view the marketing intentions of cattle feeders with skepticism. However, they said on July 1 that they intended to market 5,751,000 cattle during the July-September quarter, which would be 96.2 percent of the figure for July-September, 1979. The number of heavyweight cattle on feed as of July 1 that should come to market over the next 90 days was 96.3 percent of the total a year ago. Clearly, cattle feeders intend to market cattle at normal weights. Whether or not they do will have an important bearing on cattle prices during the next 6 months.

Cattle prices have been held down by excessive slaughter weights for more than a year. Even so, we should expect rising prices during the months ahead. The total number of cattle and those on feed are down substantially. Smaller supplies plus continuing inflation indicate rising prices. The supply of pork will remain high through November, but will not be increased at the rapid pace of last year. Losses in broiler production will result in smaller supplies during the months ahead. The inherent strength in cattle prices will be augmented by less pressure from competing meats.

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