



WEEKLY OUTLOOK

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October 27, 1982

FED BEEF SUPPLIES WILL CONTINUE TO BE LARGE

THE USDA 13 STATES REPORT OF CATTLE ON FEED, October 1, indicates continued abundant supplies of fed beef coming to market for at least the next three months. Numbers totaled 8.8 million head compared with 8.21 million a year ago, an increase of 7 percent. The average number on feed, October 1, 1978-80, was 9.395 million. Although the number has increased since last year, it is not large in comparison with the recent past. At 5.856 million, placements during July-September were up 11 percent from last summer but just about equal to placements during the summer of 1980. Marketings out of feedlots during the summer were 5.783 million, up 6 percent from last summer and also up 8.5 percent from the average summer marketings in 1979 and 1980. Marketings during the summer were 1.2 percent larger than intentions to market as of July 1, indicating that feedlots are current. Intentions to market during October-December were 5.459 million, increasing 8.4 percent from markets during October-December, 1981.

The number of cattle in weight groups that should come to market during the next October-December was up 9.2 percent from last year, whereas the lighter weights that should be available for slaughter during January-March were up only 4.2 percent. Marketings of fed cattle should decrease after the turn of the year. The number of steers and steer calves on feed on October 1 was just equal to that a year ago, while the number of heifers and heifer calves was up 22 percent. This change in balance between steers and heifers suggests that fewer heifers are being kept for herd replacement. It confirms the decrease in cattle numbers that was indicated by the July 1 cattle inventory report. We now expect the cattle inventory next January 1 to be down to about 114.8 million compared with 115.7 million last January 1. In a sense, the current rather high production is borrowing from the future. It suggests that beef production in 1983 may be down about 2.5 percent from 1982 unless cattle are fed to heavier weights.

Federally inspected cattle slaughter and beef production during the summer were 3.2 percent above year-ago levels. The pattern established to date, the relatively large number of heavier weight cattle on feed, and intentions to market 8.4 percent more than last fall indicate continued large beef production for the

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next three months. A decrease in the supply pressure should occur after the turn of the year.

Price Implications. Nothing on the supply side indicates strength in cattle prices during the next three months. The demand side is the big uncertainty. Wholesale beef prices are currently about 94 cents per pound. Prices averaged 61 cents in 1976 and 1977 when beef supplies were very large and 80 cents in 1978. The wholesale beef price first moved above 90 cents in early 1979, reaching as high as \$1.14 in May, 1979. It has fluctuated in the range of \$0.90 to \$1.16 ever since and is currently near the bottom end of the range. Much of the inflation since 1979 has not been registered in wholesale beef prices. In constant valued dollars, retail beef prices are at their lowest since early 1978. Current supplies are much below those that existed from 1976 to 1978. Pork supplies are relatively low. Cattle prices have been adversely affected by the weak consumer demand for beef. The price of cattle will probably go the way of the general economy. We should expect wholesale prices to drag in the 95-cent area for a couple of months before moving back up to \$1.05 or higher. Wholesale beef at 95 cents translates to about \$61.00 choice steers at Omaha, and \$1.05 equals about \$68. Cattle prices should move up from their current low levels, but they will not go above \$70 until consumer demand turns around.

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