WEEKLY OUTLOOK
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CATTLE ON FEED DECLINE FROM JANUARY

THE NUMBER OF CATTLE ON FEED APRIL 1 declined significantly from the previous quarter according to the USDA report of feedlot inventories released April 18. More importantly however, this inventory level remains above that of a year ago, indicating that there may be a larger fed beef supply this year as well. Any downward pressure on prices caused by the larger supply may subside in the last half of the year, given the low rate at which cattle were placed on feed during January through March and the small number of lightweight cattle on feed.

The report of feedlot inventories shows that there were 9.153 million head of cattle in feedlots at the beginning of April, down 10.9 percent from three months earlier, but up 3.8 percent from a year ago. The decline from January's inventory is due to the large number of cattle marketed or otherwise taken from feedlots (6.165 million) during the first three months of this year relative to the placement of cattle in feedlots (5.047 million). In the next several months, the supply of fed beef will remain somewhat larger compared with the supply during the same time period in 1982 because of the large feedlot inventory. The decline in placements could lead to a smaller supply of fed beef later in the year.

However, because of the supposedly large number of feeder cattle pasturing on PIK acreage and the recent unexpected strength in fat cattle prices, placements in the coming quarter may offset the decline of January through March.

The weight distribution of the feedlot cattle provides a better indication of the timing of the changes in fed beef supplies over the next two quarters. Relative to a year ago, most of the cattle on feed are in the larger weight categories. There are 8.3 percent more steers weighing 900 pounds and over (2.56 million) and 1.4 percent fewer under 900 pounds (3.256 million) compared with those a year ago. The difference is even greater among heifers, where the number weighing 700 pounds and over (2.112 million) is 23.7 percent greater than it was last year, and the number weighing less than 700 pounds (1.179 million) is 15.6 percent less. Given this distribution, the supply of fed beef could be considerably larger in just the next couple of months compared with what it was a year ago. It is possible that this supply will diminish to a level lower than last year's soon afterward. But it is also possible that a large number of PIK cattle may enter feedlots in the next several months, changing the picture for the second half of the year.

The quarterly trend downward in the number of cattle on feed is expected to continue regardless of upcoming placements. This should result in comparable or smaller supplies of beef later in the year and in some support for cattle prices. In the short run however, cattle prices may come under renewed pressure to move downward, especially when recent feedlot and delivery problems pass with the unusually cold and snowy weather. Cattle owners should also remain wary of the downward price pressure that will be felt after an expected increase in hog supplies later this year and in 1984.

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