WEEKLY OUTLOOK
Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

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REFLECTIONS OF FIRST-QUARTER LIVESTOCK SLAUGHTER

ACTUAL LIVESTOCK SLAUGHTER AND MEAT PRODUCTION in the first three months of 1983 were considerably different than projected at the beginning of the year. Cattle slaughter in this period totaled about 8.734 million head, an increase of less than 1 percent more than a year ago. An increase of 8.5 percent had been projected in January. A 10 percent decline in hog slaughter was projected in January; however, actual slaughter for the period only declined just over 8 percent. Actual pork production is down by less than 6 percent.

The projections made in January were based upon quite reasonable indicators of slaughter. On January 18, the USDA released a *Cattle on Feed* report that indicated there were 14 percent more cattle in feedlots on January 1 than one year earlier. It also showed that feedlot operators intended to market 11 percent more cattle from January through March as compared with the same period in 1982. Needless to say, these indicators are not well reflected in the slight increase in cattle slaughter.

The 10 percent decline in 60- to 179-pound hogs on farms on December 1 also is not fully reflected in subsequent first-quarter hog slaughter or pork production. The actual decline in slaughter was 1.5 percentage points less than suggested by the inventory figure, while actual pork production declined by only 5.7 percent from a year ago.

The monthly trends in cattle and hog slaughter show that our early projections began going astray in February for cattle and March for hogs. Cattle slaughter in January averaged about 146,000 head per day, as might have been expected. However, slaughter declined to 134,000 per day in February and 130,000 in March. Daily hog slaughter declined as expected from an average of 306,000 in January to 298,000 in February. But a substantial increase in slaughter to 330,000 daily in March led to underestimation of quarterly slaughter.

The changes in slaughter and production have obviously been translated into corresponding changes in livestock prices. The decline in daily cattle slaughter has contributed partially to the rise in weekly average cattle prices from $58.50

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per hundredweight in January to $64.50 in March. The high rate of hog slaughter in March has provided further impetus for the decline in weekly average hog prices, which started at $59.53 per hundredweight on February 5 and may end in the present area of $46 to $47.

The larger-than-expected hog slaughter may be attributed to the rather mild winter experienced in most of the Corn Belt. Weight gain by hogs was more rapid than normal, probably causing some hogs to be marketed in March that ordinarily would have been marketed in April. It is less likely, but possible, that abnormal wet and muddy conditions in feedlots caused cattle to gain less weight than normal, thus prolonging their stay in the feedlots and delaying their marketing.

There is no consensus among analysts with respect to slaughter or prices in the second quarter. I believe that cattle slaughter will begin to reflect more accurately the large number of cattle still on feed, particularly in the heavy weight categories. Hog slaughter should decline seasonally, possibly within the next couple of weeks. Under these circumstances, the obvious result would be a decline in cattle prices to around $65 per hundredweight and an increase in hog prices to above $50 per hundredweight.

Hal W. Everett

Issued by *Hal W. Everett*, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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