



# WEEKLY OUTLOOK

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## WHEN WILL THE PRICE OF CATTLE INCREASE?

THE PRICE OF CHOICE STEERS AT OMAHA WENT FROM SLIGHTLY BELOW \$60 last January to \$70 in late May and has drifted back down to the \$60 area in late October. The move up this year was not as strong and did not last as long as in 1982, when the price went from \$59 in January to \$75 in June before slipping to the upper fifties at the end of the year. Forces that will stimulate another rise into 1984 appear to be moving into place. There is a strong possibility that the move this time will start sooner, go higher, and last longer than in 1983.

The USDA's October 1 *Cattle on Feed* report indicated four percent fewer on feed on October 1 than a year ago, four percent fewer placed on feed during the July-September quarter, and two percent more marketed during the July-September quarter. Further, actual marketings during the July-September quarter exceeded marketing intentions as they were expressed on July 1. Marketings were up, placements were down, and feedlots are current.

The heavier weight cattle on feed that should come to market during the October-December quarter were just equal to year-ago levels but were down 10 percent from the July 1 level. The large number of relatively heavy cattle on feed on July 1 has moved through the system, and fed cattle slaughter should begin to decrease. The number of lighter weight cattle on feed--those for slaughter during the January-March quarter--was nine percent below a year ago, the smallest number on record. Fed cattle slaughter should be relatively small during early 1984.

Non-fed steer and heifer slaughter during July-September appears to have been substantially larger than during both the second and third quarters of 1982. This, coupled with a relatively high cow slaughter, resulted in the production of slightly more than 6.0 billion pounds of beef as compared with 5.7 billion during the third quarter of 1982. Increased beef production, plus a 12.5 percent increase in pork supplies, put downward pressure on prices.

One additional factor has been hanging over the cattle market. Changes in dairy price support programs may materialize in a way that will result in the liquidation of dairy cows. This threat has kept pressure on beef cattle prices. The

anticipation is probably a great deal worse than the event will be when it happens. The dairy slaughter will not produce much beef and it will be of low quality.

What all of this suggests is that the worst of the supply pressure may be past. Beef production will be about two percent smaller in the fourth quarter than in the third, and while the production of pork will be up, the increase will be less than the usual summer-to-fall increase. Beef production during the first half of 1984 may be down two percent from the first half of 1983. There will be a larger pork supply during the first quarter of 1984 but production during the second quarter will be about equal to 1983. Higher feed costs are resulting in stable broiler and turkey production rather than the usual increase. Total meat supplies are probably at a peak now and may be down by as much as six percent by the second quarter of 1984.

The retail price of beef was \$2.35 per pound in September, its lowest level since early 1980. It reached \$2.55 last July. With a smaller meat supply, a larger population, inflation, and increases in real consumer incomes, a higher price next summer is likely. A return to last summer's retail beef price should put choice steers at Omaha above \$70. How high cattle prices go in the first half of 1984 depends on how vigorously consumers pursue reduced supplies with increased incomes.--Written by Thomas A. Hieronymus, Professor Emeritus, Agricultural Economics.

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