



WEEKLY OUTLOOK

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CATTLE-ON-FEED NUMBERS INDICATE CONTINUED LARGE SUPPLY OF BEEF

THE NUMBER OF CATTLE ON FEED ON APRIL 1 IN THE 13 principal feeding states indicates a continued large supply of fed beef cattle coming to market during the next three months. However, the total beef supply during the next three months is uncertain. There were 9,340,000 head of cattle on April 1; this figure is up 2 percent from April 1, 1983, but down 5.7 percent from January 1. The number of heavier weight animals that should be marketed during the April-June quarter was up 3.2 percent from a year ago but down 6.8 percent from January 1. Intentions to market during the April-June quarter were up 2.9 percent from a year ago, which is consistent with the increase in the number of heavier weights on feed. Intentions to market during the April-June quarter are down 0.4 percent from January 1, which indicates just about the same flow of fed beef during the next three months as we had during January-March. The number of fed cattle that were marketed during January-March was up 0.4 percent from the first three months of 1983. However, federally inspected slaughter during January-March was 5.3 percent above last year, indicating a large slaughter of nonfed steers and heifers and cows. The supply of beef during the next three months will depend on nonfed slaughter more than on fed slaughter. The heavy dairy cow liquidation is behind us and if pasture conditions improve with spring, nonfed steer and heifer slaughter will decrease. We should expect a significant decrease in total beef supplies during the next three months.

Looking farther ahead toward summer, we note that placements on feed during January-March were 5,511,000, up 10 percent from a year ago but down one percent from 1982. Further, the lighter weights on feed that should come to market this summer were up only 2 percent from a year ago and were down 6.5 percent from 1982. There is not a close relationship between placements on feed and marketings six months later. On balance, we should expect about the same level of fed beef production this summer as during the past two summers.

There are some indications that beef supplies may decrease from year-ago levels as the year progresses. The total number of cattle on January 1 was down one percent. While the number of cattle on feed on April 1 was up 2 percent, the number of heifers was down 6 percent, suggesting some herd rebuilding. The

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number of stocker and feeder animals available for placement on April 1 was below year-ago levels. There was substantial liquidation of herds last summer because of drought. The large beef production so far in 1984 has borrowed from the total supply for the year. We continue to expect beef production for the balance of 1984 to be about 4 percent below 1983.

What does this all mean to price? Thus far in 1984 we have seen a reasonable stability in wholesale beef prices in a \$1.02 to \$1.06 range and choice steer prices in a \$68 to \$70 range. We should expect a seasonal increase in broiler production during the next three months. If beef production decreases as we expect and if pork production falls sharply as indicated by the March 1 *Hogs and Pigs* report, there will be decreasing meat supplies. The result should be rising cattle prices. How much prices increase depends on how consumers react to rising retail prices. For the past three years, they have been very quick to turn away from the meat counter when prices have gone appreciably above current levels.

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