



WEEKLY OUTLOOK

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

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CATTLE ON FEED REPORT INDICATES LARGE SHORT-TERM SUPPLIES

THE 13 STATES CATTLE ON FEED REPORT SHOWED A LARGER THAN EXPECTED number on feed and placements on feed during the July-September quarter, and smaller than expected marketings during the summer. The report indicates a high slaughter rate of fed cattle for at least the next three months. At the same time, when the large numbers on feed and large placements are put in the context of the July 1 inventory, they indicate a substantial decrease in the January 1 cattle inventory. It appears that the rate of liquidation of cattle herds has accelerated. High levels of beef production are being sustained by herd liquidation and must be replaced eventually by smaller production.

Cattle on feed in the 13 principal states totaled 9.0 million head, up 6 percent from October 1, 1983. This is the largest October 1 number on feed since 1978 and is also up three percent from the July 1 number on feed. Heavier weight cattle--those that should come to market during the next three months--totaled 6.2 million head and were up 7 percent from a year ago. The number of lightweight cattle three months ago was actually below the level of the year before, suggesting that marketing during the quarter was delayed, or that cattle were placed on feed at unusually heavy weights. Marketing from feed lots during the July-September quarter was 5.7 million head, whereas feeders indicated intentions to market 6.0 million head three months ago. On October 1 cattle feeders indicated intentions to market 5.7 million head during the October-December quarter, an increase of 5 percent from a year ago. This is less of an increase than the increase in heavier weight cattle on feed. The numbers do not precisely reconcile and are a less than perfect indication of beef production during the October-December quarter, but it now appears that beef production will remain at its recent high level and may actually exceed last year's fourth quarter by 1 percent or so. Pork production during the fourth quarter should be 9 percent below last year's figure, but this will be offset partially by increased broiler production. Unless consumer demand for meat improves, cattle prices may not exceed last year's figure of \$60.85.

The longer run presents a different supply picture. Placements on feed during the July-September quarter were 6.2 million, up 12 percent from the summer of 1983, and the largest number of summer placements since 1978. This

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occurred in spite of a smaller July 1 cattle inventory and a smaller pool of feeder cattle available for placement on July 1. Steers on feed were up 3 percent on October 1, but heifers on feed were up 12 percent. The combination of larger placements from a smaller supply and a predominance of heifers in placements suggests that heifers being held for herd replacement were moved into feedlots. In addition, cow slaughter remained large during the summer. These things point to a sharply reduced cattle inventory next January 1. The reduced production base will eventually result in a reduced beef supply.

Liquidation of cattle herds is continuing. Part of the reduction this year has been the result of drought and a reduced range-carrying capacity. But part also has been the result of commercial cow calf operations going out of business because of losses and part-time operators selling cattle to meet cash flow requirements. How far will the liquidation extend? If the reduced beef supply, when it occurs, results in a sharp increase in cattle prices, the liquidation will not go much farther. However, if consumers readily substitute cheaper poultry and pork for beef, cattle numbers may fall below the level of the 1960s. Consumers hold the key to the future of the cattle industry.

Written by T. A. Hieronymus, Professor Emeritus, Agricultural Economics

Darrel Good

Issued by *Darrel Good*, 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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