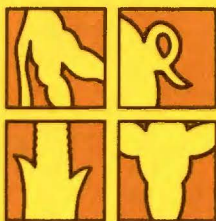


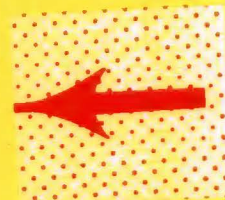


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WEEKLY OUTLOOK

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



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April 30, 1986

THE THIRTEEN-STATE USDA *CATTLE ON FEED* REPORT released April 25 shows little change in expected supply for the next two quarters, but relatively high intentions to market. Recent high slaughter weights lead to an upward revision of the supply estimate for the second quarter. The report shows that the numbers on feed and placed on feed continue to decline with the smaller cattle herd. The reported decline in heifers on feed indicates a slight slowing of the rate of herd liquidation, but the effect of increased dairy cow slaughter in the third quarter will offset any reduction in supply. Live steer prices should stay in the range from \$54 to \$57 per hundredweight during the second quarter of 1986, and fall to the range of \$52 to \$54 in the third quarter.

A total of 8.9 million cattle were on feed April 1 in the thirteen states, down 8 percent from last year. This is the smallest number of cattle on feed since 1982. The total number on feed showed a normal seasonal decline from the January 1 total. Placements during the January-March quarter were 5.3 million, down 1 percent from last year. The 5.7 million cattle marketed were down 3 percent from 1985.

The number of heifers on feed declined more than the number of steers. Cattle on feed were composed of 5.6 million steers, down 6 percent from last year, and of 3.3 million heifers, down 11 percent from last year. Heifers were 37 percent of the total number of cattle on feed. This proportion is less than the 38 percent held by heifers in April 1985, but still above the second-quarter average of 35 percent. Herd liquidation continues as expected, but the rate may be slowing somewhat.

The distribution of cattle by weight category shows greater reductions in light cattle than in heavy cattle. The total of 6.1 million heavy steers and heifers is down 3 percent from last year, and the 2.8 million light cattle count is down 9 percent. This does not indicate a drop in supply for the summer quarter, however. A greater drop in light cattle has been observed in the last several reports. The weight of cattle placed on feed has been increasing over time so that the number of lighter-weight cattle on feed is falling, compared to past years, without a corresponding later drop in the supply of fed cattle.

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Beef production from January through March of this year was 5.77 billion pounds, up 1 percent from last year. Cattle slaughter of 8.9 million head was down 1 percent from the first quarter of 1985. Beef production increased, while slaughter declined because slaughter weights continue to be higher than in the past. The average dressed weight for the January-March quarter was 649 pounds per animal, compared to 637 pounds per animal in early 1985. Dressed weights have been increasing during the first quarter of 1986, and averaged 655 pounds per animal in March.

Intended marketings for the April-June quarter are 5.3 million head, down 1 percent from actual marketings last year. These intentions, continued high slaughter weights, and additional cow slaughter from dairy herds will provide slightly higher than expected supply in the second quarter. Supply in the third quarter should also be higher than earlier predictions because the bulk of dairy herd slaughter is expected during the summer months. The supply of beef is projected to be 2 percent below that of the second quarter last year and 3.6 percent below that of the third quarter. Despite the lower total supply of red meat in 1986, prices for beef will remain weak because growth in the supply of poultry continues to provide competition for consumer demand.

Omaha live steer prices in the first quarter of 1986 averaged \$57.66 per hundredweight and fell from \$60 to \$56 per hundredweight during the quarter. Current prices in April are about \$54 per hundredweight. Futures prices show a decline to \$52 in the third quarter. Our projections show prices in the range of \$54 to \$57 during the second quarter and \$52 to \$54 in the third quarter. Cattle prices should fall from the second quarter to the third quarter but recover somewhat in the fourth quarter.

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