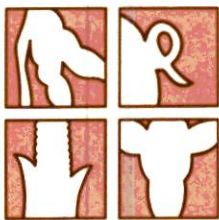




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# WEEKLY OUTLOOK

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



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## CATTLE ON FEED SHOWS CONTINUED LARGE BEEF SUPPLY

THE THIRTEEN-STATE USDA CATTLE ON FEED REPORT released October 24 shows more cattle being either on feed or placed on feed compared with last year's report. The beef supply during the next six months should continue to exceed last year's supply. However, the numbers on feed and placed on feed were slightly lower than the market expectations based on the monthly seven states reports, so that futures prices should increase slightly in response to the report. The report also shows a greater decline in heifers on feed than in steers on feed, and a declining proportion of heifers to total on feed. These heifer numbers indicate that herd liquidation is slowing. Recent cattle prices have been high in relation to the large supply coming to market, indicating that demand may be more robust than in 1985. Live cattle prices at Omaha are predicted to average \$59 per hundredweight during the last quarter of 1986 and to range from \$55 to \$58 during the first quarter of 1987. The small, total cattle inventory and the slowing of herd liquidation should lead to higher cattle prices later in 1987.

A total 8.2 million cattle were on feed October 1 in the thirteen states, up 3 percent from last year. This increase in the number on feed follows five consecutive quarters of declining numbers on feed. The increase is due to very large placements during the July to September quarter of 6.3 million head, up 15 percent from last year.

The number of heifers on feed declined more than the number of steers. Steers and steer calves on feed totaled 5.2 million head, up 6 percent from last year. Heifers and heifer calves numbered 3.0 million, down 1 percent from last year. Heifers are 36.5 percent of the total cattle on feed. This is much lower than last year's 38.1 percent heifers, indicating that herd liquidation is slowing. However, the proportion is not low enough to indicate that liquidation has stopped. The distribution of cattle by weight group shows larger increases in light-weight cattle on feed than in heavy weight cattle. Heavy steers and heifers total 5.7 million head, up 2 percent from last year. There are 2.3 million light steers and heifers, up 8 percent from last year. The relatively large numbers of light cattle are a change from recent cattle on feed reports, indicating fewer light than heavy cattle on feed. The large numbers of light cattle indicate a large supply coming to market in the first quarter of 1987.

Marketings in the thirteen states during July to September of 1986 were 5.8 million head, down 2 percent from last year. These marketings were up 3 percent over

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intentions to market stated on July 1-- an unusual divergence between intentions and actual marketings. The total commercial supply of beef increased over last year. Commercial slaughter for the third quarter of 1986 was 9.7 million head, up 3 percent from the summer quarter of 1985. Commercial beef production was 6.3 billion pounds, up 2 percent from last year. The average dressed weights continued to be high at 650 pounds per animal. Cattle prices in the third quarter averaged \$58 per hundredweight for live steers at Omaha. While this price was disappointing to cattlemen, it was remarkably robust in comparison to the very large beef supply.

Cattle feeders indicate that fed cattle marketings in the thirteen states will be 5.4 million head in the last quarter of 1986. These intentions are fairly close to the projected marketings, based on the number of heavy cattle. Thirteen state marketings are less than two-thirds of the total commercial, slaughter in the fourth quarter. The commercial beef supply is projected to be 6.0 billion pounds from October to December 1986, based on the average relationships of thirteen state marketings to the total supply and continued high slaughter weights. Live cattle prices are projected to average \$59 per hundredweight in the fourth quarter of 1986.

The large number of light cattle on feed indicate that marketings in the first quarter of 1987 will increase over the previous year. The commercial beef supply is projected to be 6.0 billion pounds from January to March of 1987, based on the average relationships of light cattle to marketings and of marketings to commercial supply. Live cattle prices are projected to fall in the range between \$55 and \$58 per hundredweight in early 1987.

Futures prices are expected to rally slightly in response to this report because the numbers on feed are below expectations. Before the report, futures prices for 1987 were quite low, and it is unlikely that cash prices will be much lower. The small total number of cattle available and the slowing of herd liquidation should reduce supply and raise prices later in 1987. Without a significant price rally, futures prices will not offer any pricing opportunities for producers.



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