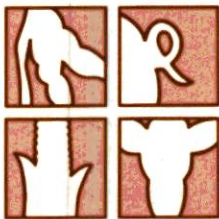




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

April 29, 1987

## **CATTLE PLACEMENTS ON FEED UP**

The thirteen-state *Cattle on Feed* report, released April 24, showed an increase in placements and in lightweight cattle numbers. However, total cattle on feed and heavy cattle are down compared with last year. The numbers of heavy cattle and the intentions to market fed cattle indicate that the beef supply will continue to be below last year's level during the spring quarter. This reduced supply means that strong cattle prices will continue during the next two months. The increase in lighter cattle on feed may mean that the beef supply will increase during the summer but also that the thirteen-state report is not a reliable predictor of future supply. Cattle futures prices for the summer months probably do not offer good pricing opportunities.

A total of 8.8 million head were on feed April 1 in the thirteen states, down 2 percent from last year. This decline was less than expected due to large placements in January through March. Placements were 5.7 million, up 8 percent from last year. These large placements reflect response to current high cattle prices and the availability of cheap feed. The large placements during the first quarter of 1987 resulted in increased numbers of lightweight cattle on feed. Lightweight steers and heifers were up 10.4 percent. On the other hand, heavy cattle were down 6.6 percent.

As in recent reports, heifers on feed continue to decline and to decline relative to steers. The total of 3.1 million heifers on feed April 1 is down 7 percent from last year. Steers totaled 5.7 million, up 2 percent from last year. Heifers were 35 percent of the total number on feed. This is a smaller proportion than last year but still above the proportion that would indicate herds are expanding. Herd liquidation has slowed over the last two years but has not yet stopped entirely.

Marketings in the thirteen states during the first quarter of 1987 were 5.8 million head, just about equal to last year. Total U.S. commercial slaughter in January through March was down 1.3 percent. Slaughter weights were quite high during early 1987 with the mild winter and cheap feed, so total U.S. beef production was down only 0.2 percent.

Feeders in the thirteen states indicated intentions to market 5.4 million head during April to June of 1987, which would represent a 7 percent decline from last year. At first glance, these intentions seem small, relative to the numbers on feed, but they reflect the small numbers of heavyweight cattle on feed. Intentions and the numbers of heavyweight cattle both indicate that the beef supply during this spring quarter will be down about 7 percent from last year. This estimated drop agrees with earlier supply estimates, based upon the January cattle inventory. The predicted tight beef supply indicates that the live cattle price will remain strong during the next two months.

The increased numbers of light cattle on feed and the increased rate of placements might indicate that the beef supply will not be as small during the summer of 1987 as it will be this quarter. If so, live cattle prices could drop about \$5 from their current levels. However, the *Cattle on Feed* report is not a very reliable indicator of future supply, and the increase in supply may not materialize. Summer futures prices may decline following this report but should recover if cash cattle prices remain strong. Current summer futures prices of \$62 per hundredweight are low in relation to the current strong cash price of \$69 and probably do not offer good pricing opportunities.

*Laurian J. Unnevehr*

Issued by Laurian J. Unnevehr  
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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