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NUMBER OF CATTLE ON FEED PLACEMENTS CONTINUES TO BE LARGE

In spite of the smaller cattle inventory reported last month, the 13-state *Cattle on Feed* report released July 24 showed an increase of 9 percent in the number on feed July 1, and an increase of 14 percent in the number placed on feed during April through June. The increase in numbers on feed reflects the recent trend towards placing a larger portion of cattle on feed and sending a larger portion of the inventory to slaughter. The large numbers on feed correspond with the seasonal increase in July cattle slaughter. Projections of slaughter based on the June inventory may have been 1-3 percent too low. Cash prices have fallen sharply from $70 per hundredweight live steers to below $64 during July. This *Cattle on Feed* report indicates that prices will remain in the low $60s during the summer quarter.

A total of 8.7 million head were on feed in the 13 principal producing states on July 1: up 9 percent from last year. Placements during April through June numbered 6 million head: up 14 percent from last year. Marketed fed cattle in the 13 states numbered 5.7 million head: down 3 percent from last year. These actual marketings were much larger than the April 1 intentions to market 7 percent fewer cattle--an unusual divergence.

Heavy cattle on feed were up only 3 percent, and light cattle were up 7 percent, indicating a trend towards increased placements through last quarter. Virtually all of the increase in numbers on feed came from increased numbers of steers. Steers were up 14 percent over last year while heifers on feed were just equal to last year. Heifers made up 35 percent of the total on feed--the lowest percentage since 1981. This should indicate that breeding-herd liquidation has stopped.

Total U.S. beef production during the spring quarter of 1987 was down 8 percent from last year, which gave a strong boost to cattle prices. The reduction in beef supply was mainly due to the 7 percent drop in slaughter, but was also due to a drop in slaughter weights. The reduction in total U.S. supply is much larger than the 3-percent drop in 13-state fed-cattle marketings. Apparently, a larger portion of total cattle headed for slaughter are passing through feed lots in the 13 states this spring and summer compared with last year.

Feeders' intentions to market fed cattle from the 13 states in July through September are up 4 percent over last year's marketings. The recent trend towards concentration of marketings in the 13 states means that total supply is unlikely to increase as much. Weekly U.S. slaughter totals in July show that beef production is about 6 percent below last year. A reduction in total supply of only 6 percent would be less than the reduction of 10 percent projected last month on the basis of the June 1 cattle inventory. If beef supply continues as in July, it will indicate that an unusually large portion of inventory are being sent to slaughter, as was the case in 1986.

Because supply was not down as much during July as it was during the spring quarter, and because demand is weaker in the summer, cash prices have fallen from over $70 per hundredweight live steers to below $64 during the month of July. Recent events and the *Cattle on Feed* report indicate that supply will not be as low as the cattle inventory indicated. Therefore, prices will stay in the low $60s for the remainder of the summer. Before the report, futures prices were quite low for late summer and fall contracts. The report was very close to market expectations so that futures prices may only increase slightly in response. Futures prices will probably not provide good pricing opportunities unless they reach $65 for the fall.

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