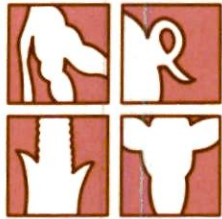




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

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April 25, 1988

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## CATTLE ON FEED UP, BUT SLAUGHTER DOWN

The USDA released the 13-state cattle-on-feed report on April 22. Slightly more than expected, the number of cattle on feed on April 1 was up 6 percent from last year's figure. The increased numbers were mostly in the heavier weights and should come to market fairly soon. This development may mean slightly weaker spring prices, which we have already seen in the current decline in cattle prices. Price prospects for cattle are still quite good for the rest of 1988. Based on the cattle inventory, slaughter during the first quarter of 1988 declined as projected, and supply is projected to decline further during the rest of 1988. Futures prices for nearby contracts fell in response to this report. Later 1988 futures prices are still discounted heavily in relation to current cash prices and do not provide good hedging opportunities.

The 13-state report showed a total of 9.4 million head on feed, an increase of 6 percent. Placements during the January-March quarter were 5.8 million head, up 2 percent from placements last year. Marketings during the first quarter of the year were 5.8 million head, up only 1 percent. Heifers on feed were up 6 percent, and steers were up 7 percent. At 34 percent, heifers are the same proportion of the total on feed as they were last year. This proportion indicates a stable breeding herd and would be lower if herd rebuilding had started. Most of the increase in the numbers on feed was in the heavy weight categories. Animals over 700 pounds are up 11 percent, whereas those under 700 pounds are down 11 percent. These figures mean that the increased placements will come to market fairly early.

Cattle feeders in the 13 states indicated intentions to market 5.9 million head in the April-June quarter. These intentions would be up 6 percent from intentions last year but are somewhat misleading as indicators of total cattle slaughter and cattle prices. Cattle-on-feed reports last year have shown increased placements and marketings, yet total slaughter and beef production have declined because of the smaller cattle inventory. Marketings in the 13 states may increase because of the larger proportion of fed cattle in total slaughter, but total slaughter should continue to decline.

During the first quarter of 1988, total U.S. cattle slaughter was down 2 percent from slaughter last year, and beef production was down 1 percent. These slaughter and production figures were actually slightly lower than projections that were based on the January inventory of cattle. Prices for choice steers at Omaha were quite strong, averaging \$70 per hundredweight for the January-March quarter. Prices recently peaked at \$75 on April 1 and since then have declined to \$73.75. This drop may reflect increased marketings of the large number of heavy cattle on feed. Prices should recover later in the year, however, as supply continues on its downward trend.

Nearby futures contracts for live cattle declined in response to this report. All live cattle futures are discounted in relation to current strong cash prices. Because cash prices will probably remain strong in 1988, futures prices do not provide good opportunities for hedging.



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