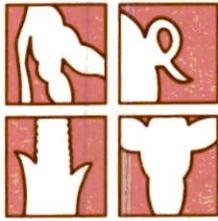




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

Department of Agricultural Economics  
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University of Illinois at Urbana-Champaign

July 27, 1988

## **CATTLE ON FEED REPORT SHOWS INCREASE, BUT SLAUGHTER HOLDS STEADY**

The USDA released the 13-state *Cattle on Feed* report on July 22. The report follows the pattern of recent reports in showing increases in numbers on feed. On July 1, the total on feed was up 4 percent, placements in the spring quarter were equal to last year, and marketings were up 4 percent. Intentions to market for the coming quarter are up 3 percent. These numbers lead to projections of increased total commercial slaughter in the current summer quarter. Such projections are hard to believe, however, given the small cattle inventory. Furthermore, the numbers do not show any substantial increase in herd liquidation. Even if the drought causes some further herd liquidation, slaughter numbers during the rest of 1989 should continue to be below the previous year's levels. This means that prices are likely to stay above the mid-\$60s. More information will be available after the release of the *Cattle* inventory on July 29.

Almost 9.0 million head were on feed in the 13 states on July 1, up 4 percent from last year. Placements of 5.9 million head during the April through June quarter were very close to last year's placements. Marketings of 5.9 million head in the spring quarter were up 4 percent from last year. Cattle feeders intend to market 6.2 million head in the current summer quarter, which would be 3 percent more than last year.

Heifers increased slightly more than steers on feed, but the total number of heifers on feed does not indicate any substantial herd liquidation response to higher feed costs. The 3.2 million heifers on feed were up 5 percent compared to last year, while the 5.8 million steers on feed were up only 3 percent. However, heifers were only 34 percent of the total cattle on feed, which is the lowest percentage for the July 1 report since 1980.

During the spring quarter of 1988, 8.8 million head of cattle were slaughtered, which is down 1 percent from last year. The number slaughtered increased during the month of June, which may indicate some increased herd liquidation as producers looked to higher feed costs. Commercial beef production totaled 5.8 billion pounds in the spring quarter, up slightly from last year. Live steer prices at Omaha averaged \$74 per hundredweight, well above last year's average of \$70. Demand for beef continues to be strong.

The total number of cattle slaughtered during the first half of 1988 is very close to our estimates for slaughter in the February issue of *Livestock Prices and Markets* newsletter. Cattle slaughter seems to be following the pattern indicated by the inventory and cattle on feed numbers are not very good indicators of the future. Our February predictions for slaughter in the second half of 1988 showed a sharp drop in slaughter because of the small number of lightweight animals in the January inventory. The upcoming July inventory to be released on July 29 will give better

indications of slaughter and prices in the next six months than the recent *Cattle on Feed* report. Our feeling is that concerns about herd liquidation in response to the drought are probably exaggerated and that cattle prices will continue to be strong during the rest of 1988 and 1989.



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