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WEEKLY OUTLOOK

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CATTLE ON FEED REPORT HAS NO SURPRISES

The USDA released the 13-state *Cattle on Feed* report on October 21. The report shows that the total number of cattle on feed October 1 is down 5 percent and placements during the summer quarter were down 10 percent. Intentions to market during the October-December quarter of 1988 are just about equal to last year's marketings. Total commercial beef supply during the last quarter of 1988 should be just about equal to last year's supply. Cattle prices during 1988 have been very strong relative to supply, indicating a strong demand for beef. If strong demand continues through the end of the year, cattle prices should average \$72 per hundredweight for live steers at Omaha during the last three months of 1988.

There were 8.6 million head of cattle on feed in the 13 states as of October 1, 1988. This figure is down 5 percent from last year. Steers were down 6 percent and heifers were down only 2 percent, perhaps indicating some small increase in herd liquidation. Marketings during the summer quarter of 1988 were up 2 percent. This increase reflects the response of producers to the drought and higher feed costs. However, this response was short-lived, and supply appears to be returning to the levels indicated by the small existing inventory. Intentions to market during the current October-December quarter are just about equal to last year.

Placements on feed during the summer quarter were down 10 percent from last year. This sharp decline probably reflects the tendency to put cattle on feed at higher weights with current high feed costs. The number of heavy cattle on feed October 1 was just about equal to last year, but the number of lighter weight cattle was down 14 percent.

During the July-September quarter, cattle slaughter was just equal to last year. This rate of slaughter is slightly above what was projected on the basis of the July 1 inventory, because producers slaughtered animals in response to the drought. Cattle weights reached new record highs; the average dressed weight per animal was 672 pounds. As a result, beef production was up 2 percent over last year.

In spite of higher beef supply, both beef and cattle prices were higher during the summer of 1988 than during summer 1987. Live steer prices at Omaha averaged \$69 per hundredweight during July through September. This price is about 10 percent higher than what would be predicted based on demand patterns of the early 1980s. Consumer demand for beef has been very strong during 1988, so that prices have improved even though supply has been about the same as last year.

Both the intentions to market feed cattle and the July 1 inventory indicate that beef supply in the last quarter of 1988 will be about equal to last year. If demand continues to be strong until the end of the year, then Omaha live steer prices should average \$72 per hundredweight during this last quarter of 1988.



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