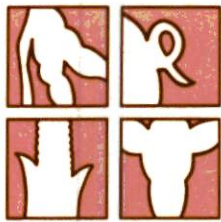




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

February 1, 1989

CATTLE-ON-FEED NUMBERS SHOW CONTINUED SLOW DECLINE IN BEEF SUPPLY

The USDA released the 13-state *Cattle on Feed* report on January 26. The total number on feed January 1 was down 4 percent, and placements during the last quarter of 1988 were down 1 percent. Intentions to market fed cattle during the current quarter are down 2 percent. The report confirms the expected slow decline in the number of cattle slaughtered. The decline in beef supply will not be as large as the decline in slaughter, however, because average slaughter weight continues to increase. Beef and cattle prices have been very strong during the last year relative to the supply of meat. If this trend continues, cattle prices should continue to be in the low \$70s during this quarter. More information regarding supplies and price outlook will be available after the *Cattle* inventory report is released on February 8.

On January 1, 8.6 million head were on feed in the 13 states, down 4 percent from 1988. During the last three months of 1988, 6.7 million head were placed on feed, down 1 percent from 1987. Most of the decline in numbers on feed was in the light weight categories. The number of heavy cattle on feed was just about equal to the number for 1988, but the number of light cattle was down 11 percent. These numbers could indicate that the supply of fed cattle will decline more during the coming spring quarter than during the current quarter.

Steers on feed declined by 4 percent, while heifers were just about equal to last year. The proportion of heifers in the total number on feed is high at nearly 39 percent, compared to 34 to 36 percent during the last few years. Although the herd liquidation of the last eight years has stopped, herd rebuilding is apparently not yet under way because so many heifers are being sent to slaughter.

A total of 5.5 million head of fed cattle was marketed in the 13 states during the last three months of 1988, down 2 percent from 1987 and very close to intentions to market stated on October 1. These cattle provided about two-thirds of the total commercial slaughter in the United States, which was down 3 percent from 1987. Beef supply, however, was down only 2 percent as slaughter weights continue to reach new record levels. The average dressed weight per animal in the last quarter of 1988 was 673 pounds, substantially greater than the average of 666 pounds in the last quarter of 1987.

The trend toward higher dressed weights during the last few years is the result of the larger proportion of yield grade 2 cattle now being marketed. More pounds of beef can be obtained from each animal. This means that the projected decline in slaughter will not result in as large a decline in the supply of meat.

Cattle feeders indicated that 5.7 million head will be marketed in the 13 states during the current quarter, down 2 percent from last year. The total commercial slaughter is also likely to be down about 2 percent; but as high slaughter weights are likely to continue, beef supply will be down only about 1 percent compared to 1988.

Prices for beef and cattle have been very strong relative to the supply of beef and other meats during 1988. The average price for choice steers at Omaha during the last quarter of 1988 was \$73 per hundredweight. This is substantially higher than the average of \$67 during the last quarter of 1987, even though supply had only declined 2 percent. This indicates that demand for beef is very "inelastic." Inelastic demand means that consumers resist changing the amount of beef that they buy and are willing to pay a much higher price to continue consuming the same amount. This may be the case now that beef supply per capita is declining.

If demand continues to be strong, the projected supply for this quarter will bring about an average cattle price in the low \$70s. Better information about the projected beef supply and prices during the rest of 1989 will be available after the Cattle inventory is released on February 8.



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

FIRST CLASS