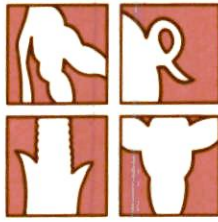




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

July 26, 1989

CATTLE ON FEED REPORT CONTAINS FEW SURPRISES

The USDA released the *Cattle on Feed* report for the 13 principal producing states on July 21. The report showed a 6 percent decline in the number of cattle on feed on July 1, 1989, compared with 1988. This drop resulted from a 12 percent decline in placements during the spring quarter of 1989 and a 2 percent increase in marketings. Cattle feeders intend to market 2 percent fewer fed cattle during this summer quarter than they did last year. From these marketing intentions, we estimate a decline of 2 percent in the total commercial beef production this quarter. Cattle prices should remain in the low \$70s. More information about beef supply and cattle price outlook will be available after the release of the *Cattle* inventory report on July 28.

There were a total of 8.5 million head on feed in the 13 states on July 1, 1989. This number is down 6 percent from last year. The decline is due to a 12 percent drop in spring quarter placements as well as a 2 percent increase in spring quarter marketings.

The decline in numbers on feed was concentrated in steers and lower weights. Steer numbers were down 7 percent from last year, and heifers were down only 3 percent. Light weight cattle were down 19 percent, and heavy cattle were down only 2 percent.

Basically the cattle on feed numbers show that supply was large last quarter but will decline during this summer quarter to more normal levels. The total commercial beef production during spring 1989 was equal to that of 1988. This was a surprise, because the smaller cattle inventory should lead to a slightly smaller beef supply this year. Average cattle prices remained quite strong, however, and averaged \$75 from April through June.

Cattle feeders reported intentions to market fed cattle this quarter that are 2 percent below last year's marketings. Marketing intentions provide an estimate of the total commercial beef supply for the summer that is 2 percent below last year. This estimate agrees with earlier estimates based on the cattle inventory, and therefore seems fairly robust.

What this drop in summer supply will mean for prices, however, is more difficult to project. Beef demand and prices have been very strong relative to supply for the

last two years. If this demand strength continues, then normal seasonal price patterns should lead to live steer prices in the low \$70s per hundredweight at Omaha this summer. More information about beef supply and cattle price outlook will be available after the *Cattle* inventory report on July 28.

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