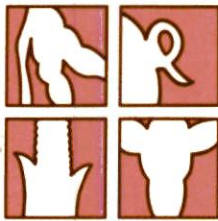




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

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CATTLE ON FEED SHOWS PLACEMENTS DOWN

The USDA released the 13-state *Cattle on Feed* report on October 20. The total number of cattle on feed October 1 was down 6 percent, and placements during the summer were down 5 percent. Marketings in the 13 states were down 5 percent during the summer, and the total supply of beef in the U.S. was down 3 percent.

In spite of small supplies of beef during the summer, cattle prices averaged a disappointing \$71 per hundredweight for live steers at Omaha. Cattle feeders indicated that they will market 2 percent fewer fed cattle in the last months of 1989 than they did last year. If beef supply is also down 2 percent, cattle prices should average \$75 during the remainder of the year. Futures prices rose following the report and are about equal to price projections.

A total of 8.1 million head of cattle was on feed in the 13 states as of October 1, down 6 percent from a year earlier. Both placements of 5.7 million head and marketings of 6.2 million head during the summer were down 5 percent. These lower numbers reflect the smaller inventory of cattle in the U.S., which reached a record low last January.

Most of the decline in numbers on feed is in steers and in lighter weight animals. Steers were down 8 percent while heifer numbers were down 3 percent. The relatively large number of heifers on feed may indicate that substantial herd rebuilding is not taking place yet.

During the summer quarter (July-September) of 1989, cattle slaughter was down 5 percent, but slaughter weights increased so that beef supply was only down 3 percent. In spite of this reduced supply, cattle prices were lower than they were earlier in the year, averaging \$71 per hundredweight for live steers at Omaha. The unusually strong beef demand that has boosted prices for the last year and a half was not evident during the summer.

Cash prices recovered during October. The *Cattle on Feed* report confirmed that small supplies will continue, and futures prices for cattle rose slightly following the report. Futures prices for live cattle of \$75 for winter and spring contracts are

about in line with current cash price projections. Producers who are averse to risk might wish to hedge some portion of their winter-fed cattle sales at these prices.



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

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