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WEEKLY OUTLOOK

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NUMBER OF CATTLE IN FEEDLOTS INCREASES RAPIDLY

The latest quarterly *Cattle on Feed* report indicates that feedlot managers have increased numbers sharply from levels in October. The number of cattle on feed January 1 in the 13 major cattle feeding states stood at 9.9 million, up 3 percent from last year. This is in contrast to the 8.3 million on feed October 1, which was down 6 percent from the previous year. Since the calf crop was nearly unchanged in 1989, and since feedlot placements had been low in the summer quarter, a pool of feeder cattle was available to move into lots. Placements for the last quarter of the year were up a sharp 10 percent at 7.3 million head, and marketings were down 2 percent at only 5.4 million head.

Placements by month from the seven-state summary indicate October, November, and December placements rose by 8, 18, and 9 percent, respectively. This dramatic increase in the November placements provided strong indications of increasing feedlot populations.

Why were placements so high after their moderate pace in the summer of 1989? Part of the explanation extends back to the 1988 drought when lack of forages caused cattle to move off grass and into feedlots. The lower numbers in the summer of 1989 were in contrast to the high inventories of 1988. Heavy placements this past fall were influenced by concern over wheat grazing due to poor wheat quality in Plains states. This is evidenced by the high rate of placements in Kansas and Oklahoma, where fourth quarter placements were up by 19 percent, leading the major states. In addition, fed cattle prices at $80 in the fourth quarter, the anticipation of lower interest rates, and budgeted returns showing prospects for profits also contributed to the surge in placements.

Weight breakdowns indicate a small slaughter supply coming from feedlots in the February to mid-April period because steers and heifers weighing 900-1,099 pounds are down 9 percent from last year. In contrast, cattle over 1,100 pounds on January 1 were up about 4 percent. Most of these should have been marketed in January. Feedlot managers intend to market 5.6 million head in the first quarter, unchanged from last year. Given the low number of cattle in the 900-1,099 pound weight range, this level of marketings probably will not be reached unless cattle are sold at lighter weights. Moderate January temperatures will help weight gains, and current forecasts call for continued moderate winter temperatures into early February.

This report suggests that prices of finished cattle will remain high into the early spring, but it raises concern for late spring and summer prices. The number of fed cattle is more critical to overall beef supplies this year because cow slaughter and non-fed slaughter will be low. In fact, fed supplies will constitute about 80 percent of total beef supplies this year.

Fed steer prices are expected to remain in the very high $70s into February. Some further strength should be expected in March and April as cattle prices reach their seasonal highs. Prices for choice steers may be in the low $80 range for some daily highs. With the late 1989 placements ready to come to market by May 1990, however, the spring highs may not be around long. Another caution is to avoid feeding to heavier weights. Feedlot managers have a tendency to overfeed when they see potential for higher prices. This could limit the spring price rally. Spring highs this year may well prove to be the best cattle prices for several years to come.

Cattle finishers will want to be cautious when budgeting calves or feeder cattle to move into feedlots this spring, as summer and fall prices for fed cattle will not be able to maintain the lofty levels of spring.

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