



WEEKLY OUTLOOK

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CASH CATTLE PRICES EXPECTED TO DROP

Cash cattle prices reached their seasonal peak of low \$80s per hundredweight in mid-April. Prices of choice steers at western plant locations are expected to decrease to the lower to mid-\$70s by summer.

The USDA's April *Cattle on Feed* report for the 13 major cattle feeding states indicated that there was 1 percent more cattle in feedlots on April 1 this year than a year ago. Placements during the first quarter of 1990 were down 2 percent and marketings were down 1 percent compared to 1989's first quarter. The number of steers over 900 pounds in feedlots on April 1 was up 2 percent and the number of heifers over 900 pounds was the same as last year.

These numbers suggest that 1990 second quarter beef production will be about 2 percent larger than the second quarter of 1989. Heavy feedlot placements from October 1989, to January 1990, created concern for large marketings in 1990's second quarter. Now, however, it appears that marketings from feedlots in the 13 major reporting states will be up only 1 percent over 1989's second quarter marketings. Reduced cow and bull slaughter will lower the total number of cattle slaughtered in the second quarter, but heavier weights will make second quarter production about 2 percent higher than last year's.

Beef demand has been a positive price factor so far this year and is expected to continue. For example, in the first quarter of this year, the production of beef per person in the United States was unchanged from 1989's first quarter production, but live steer prices were higher by about \$3.50 per hundredweight. International trade in beef has improved with increased exports and decreased imports compared to 1989. In addition, domestic consumers seem willing to pay high prices for their current level of beef consumption. Strong demand has also been a feature of the pork complex this year. It appears that red meat demand may have stabilized--or even improved somewhat.

March placements into feedlots in the 7 states that report monthly were down only 4 percent from last year. This followed a February placement rate that was down 13 percent. In general, the trade expected a lower placement rate. These high placements suggest that feedlot operators are confident that late summer finished

cattle prices will not fall into the high \$60s as they did last year. Rising corn and feed grain prices have, however, surprised many feedlot managers.

June cattle futures are expected to have strong support in the \$72 to \$73 range. Cash cattle prices in May are expected to be near \$75 per hundredweight, thus some modest strength could occur in June futures over the next few weeks. In addition, summer cattle futures will receive some support from the strength in the summer hog market.

By the last quarter of 1990, smaller beef production is anticipated. Cash prices are expected to be in the mid to high \$70s. Further strength is expected in the October and December futures, and forward pricing is not suggested for those periods yet.

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