



WEEKLY OUTLOOK



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FEEDLOT MARKETINGS EXPECTED TO DROP

Feedlots are extremely current in terms of marketing fed cattle and the latest *Cattle on Feed* report suggests that fed cattle supplies will begin to decrease in August. This report should provide a positive tone to fed cattle and feeder cattle prices for the late summer and fall period.

The thirteen state quarterly report indicates that 8.8 million head of cattle were in feedlots on July 1, up about 1 percent from last year. During the spring quarter, feedlot operators placed 5.1 million head into feedlots, which was down 2 percent from last year's placements. Spring placements were at their lowest level since 1975. Marketings from feedlots continued at a rapid pace during the quarter. Six million head of cattle were marketed this spring, unchanged from the number marketed last year.

Numbers from the monthly report showed June placements down 4 percent and marketings up 2 percent. This is a continuation of the pattern of marketings exceeding placements, and indicates a potential for on-feed numbers to drop below last year's level this fall.

A closer look at weight categories indicates that the larger supplies of fed cattle are in the heavier weight categories, and that smaller supplies are in the lighter weight categories. The number of steers 1,100 pounds and over on July 1 were up 5 percent, but steers 900 to 1,099 pounds and 700 to 899 pounds were down 1 percent.

Heifer numbers show a more dramatic decline in numbers at lighter weights. The number of heifers in the 900 pound or heavier category were up 3 percent from last year. Heifers in the 700 to 899 pound category were down 8 percent, while heifers in the 500 to 699 pound range were down 3 percent. These weight breakdowns suggest that the heaviest marketings in the last half of 1990 will come in the month of July. By early to mid-August, fed marketings could drop modestly from year-ago levels.

Feedlot operators expect to market 5.9 million head of cattle from feedlots during the July through September quarter. If fulfilled, marketings will be about equal to last year's third quarter fed cattle marketings.

Market concerns regarding a "wall" of summer cattle marketings have largely been erased. The surge in marketings was anticipated due to very heavy placements from last October through January. Some traders had continued to hold short futures positions in anticipation of increased marketings. The July report indicates that the concern will not be fulfilled.

While fed cattle marketings may be unchanged during the third quarter, cattle marketed from feedlots will continue to be sold at heavier weights. Offsetting these heavier weights will be smaller supplies of non-fed cattle and fewer cows in the slaughter mix. Third quarter beef supply may be fairly close to last year's supply. Cattle finishers will want to avoid over finishing cattle, as heavy weights last September pushed cattle prices below \$70 per hundredweight.

The price tone in futures has been to the upside in the past few weeks. This report should add support for both late summer and fall futures contracts. Further strength can also be expected in feeder cattle and calf prices, assuming that fed cattle prices move higher and that crop conditions remain favorable.

The *Cattle Inventory* report to be released on July 27 will provide additional information regarding feeder cattle supplies, herd expansion, and slaughter supplies.

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