



WEEKLY OUTLOOK



A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

April 22, 1991

BEEF SUPPLIES TO INCREASE IN SECOND QUARTER

The USDA's quarterly *Cattle On Feed* report indicated that the number of cattle in feedlots is up 8 percent from last year. However, the inventory of cattle which should come to market in the April through June quarter is up 10 percent. A larger number of fed cattle, as well as heavier weight cattle, will contribute to a 2 to 4 percent increase in beef production.

The number of cattle and calves on feed in the 13 reporting states on April 1 totaled 10.9 million head up 8 percent from last year. This is the largest number on feed in the April 1 survey since 1973. The number of steers on feed was up 10 percent and heifers were up 4 percent. For the first quarter of the year, placements totaled 5.9 million head, down 3 percent, and marketings totaled 5.5 million head, down 1 percent from the same quarter last year.

Weight breakdowns continue to show an abundance of heavy weight cattle for second quarter marketings. The number of heifers weighing over 700 pounds is up 5 percent this year over 1990 and the number of steers weighing over 900 pounds is up almost 15 percent. When heifers and steers are combined, total on feed numbers in these heavier weight categories are up 10 percent. This suggests that marketings will be sharply higher in the second quarter of 1991. Feedlot managers indicated that they intend to market about 6.5 million head in the second quarter, which would be up 6 percent from the second quarter of 1990.

Projections of slaughter from weight breakdowns and from marketing intentions were inaccurate in the last quarter. In the January report, the number of steers and heifers on feed in the respective categories mentioned above were up 9 percent from the previous year. Managers said they would market 3 percent more cattle out of feedlots in the first quarter of 1991. Actual marketings by these same feedlots were down 1 percent in the first quarter.

While an increase in slaughter in the first quarter was expected because of large inventories in the feedlots, first quarter commercial slaughter was actually nearly 3 percent below last year's slaughter. During the first quarter, steer and heifer slaughter was down about 2.5 percent and cow slaughter was down about 4 percent. A small part of this reduction was due to the early Easter holiday which reduced slaughter levels because of a few days of plant closings.

The question before the cattle market now is, "can the market keep dodging the large on-feed inventories, or will they finally come to market in the second quarter?" The answer will have much influence upon whether fed cattle prices drop below \$75, or whether they can maintain their average in the higher \$70s, as last year.

Regardless of supply, it appears that beef demand remains at least steady to somewhat improved over last year. For example, in the first 2 months of 1991, beef production was up about 1 percent, yet retail beef prices were up 4 percent. Higher beef prices with a greater supply tends to suggest an improvement in consumer attitudes about beef. Beef prices in the early part of 1991 have been at record high levels for this time of the year.

Perhaps following mistakes in the past quarter, I will continue to anticipate that the large number of cattle on feed will lead to increased second quarter marketing. Weights are also expected to continue to be above last year. Projection of second quarter beef production is for a 2 to 4 percent greater supply. However, continued favorable beef demand will keep prices only modestly lower than last year for the same time period. Prices for choice steers at Omaha, are expected to average near \$77 in the second quarter. Summer lows are likely to drop to near \$74 in late June and July.

Feeder cattle prices are likely to move lower with fed cattle prices into the summer. A slower pace of placements into feedlots this past winter and spring should begin to ease cattle marketings by late summer. Fed cattle prices are expected to improve by late summer and in late 1991.

Chris Hurt

Issued by Chris Hurt
Extension Economist
Purdue University

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801