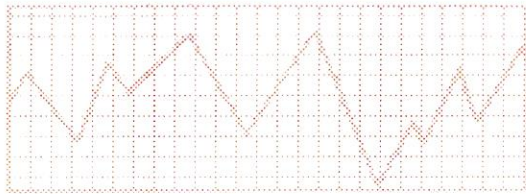




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WEEKLY OUTLOOK

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LIMITED BEEF HERD GROWTH WILL KEEP PRICES STRONG

According to the USDA's *July Cattle* report, the nation's cattle inventory has remained stable at 109.2 million head over the last year. Most analysts had expected some build-up in the herd, after 6 years of profitability for beef cow herds. In addition, the number of cattle on feed available for slaughter will continue to be below last year's level until the fall. This will help support cattle prices through the rest of the summer.

The number of beef cows on farms on July 1 was estimated at 34.65 million head, up 0.4 percent from last year's inventory of 34.5 million head. This indicates that brood cow managers have not expanded the herd as much in the past year as most had expected. It also indicates that beef supplies for both 1992 and 1993 will not be large enough to force calf prices below profitable levels.

While beef cow numbers are little changed, the number of replacement heifers being retained for breeding purposes is up 8 percent. Does this mean the herd will be expanding by next year? For the past 2 years, producers have been carrying about 4 percent more heifers for replacement. With the 4 percent retention rate, beef cow numbers have grown only slightly. This higher rate of retention would suggest that the herd may grow by about 1 percent by January 1993, still a very modest rate of expansion.

The number of milk cows was estimated at 9.85 million head, down 1.5 percent from the year-ago inventory. Milk cow numbers continue to follow the longer term downtrend. The number of heifers being saved for replacement in the milk herd was unchanged from year-ago levels. With this moderate level of replacement heifers, some further decline in the number of milk cows is expected in the January 1993 inventory report.

The 1992 calf crop is estimated to be 39.5 million head up 0.6 percent from the size of the 1991 calf crop. A somewhat larger number of calves weighing less than 500 pounds have already moved into feedlots this year so calf supplies at mid-year may be up only 0.3 percent from last year's inventory.

The USDA's July quarterly *Cattle on Feed* report indicated that the total number of cattle in feedlots in the 13 major cattle feeding states was down 6 percent from year-ago levels. Placements for the spring quarter were up 5 percent and marketings were down 2 percent from the same quarter last year. The heavier placements apparently came in June, when placements were up 22 percent according to the 7 state report. The surprisingly large jump in June placements was a result of cattle finishers regaining confidence in the cattle market. A year ago, finished cattle prices broke from the \$80 spring highs to the lower \$60s by late summer. As a result, placements in June of 1991 were down sharply. The 22 percent increase in

June placements this year sounds like a large increase, but it was relative to a small base. Actually, placements this June were about the same as two years ago.

The number of cattle on feed which will be marketed through mid-September is down about 15 percent from last year. Further, feedlot managers indicate intentions to market about 4 percent fewer cattle out of feedlots in the July-September quarter. These numbers provide strong indications that beef supplies will continue to be lower throughout the summer and early fall.

Finished cattle prices are expected to weaken only modestly into the late summer this year. Prices of choice steers at terminals are expected to dip to the \$71-72 mark in late August. Some strength should be expected by the last quarter of the year, with prices returning to the \$74-77 range.

Calf supplies will be only modestly larger this summer and early fall. Lower feed prices, lower interest rates, and a stronger finished cattle market should be supportive to calf prices. Prices for steer calves weighing 400 to 500 pounds are expected to be about 5 cents per pound higher this fall than last fall. Last fall, 400 to 500 pound steer calves at Oklahoma City averaged about \$1.01 per pound. This fall, prices will likely be in the \$1.05 to \$1.08 per pound range.

Feeder cattle supplies outside of feedlots are somewhat larger at mid-year due to a larger calf crop and fewer cattle in the feedlot this year compared to last year. This increase is estimated at about 2.3 percent. Even with somewhat greater supplies, demand should be brisk. Prices will be stronger for the same reasons supporting calf prices. Feeder steers in the 600 to 700 pound range are expected to trade 2 to 3 cents higher than last year. Feeder steer prices at Oklahoma City in the fall of 1991 averaged \$.86 per pound. This fall, prices will likely average in the high \$.80s to \$.90 per pound.

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