Cooperative
Extension
Service

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

FEBRUARY 8, 1993

MORE BEEF IN SHORTRUN, BUT LITTLE HERD BUILDUP

Two recent USDA reports help define the beef supply situation for 1993. The quarterly *Cattle on Feed* report indicated that beef supplies should begin to increase in February and March, but the *Cattle Inventory* report showed only modest increases in the size of the breeding herd. The expected increase in cattle slaughter is not expected to depress cattle prices into the spring, and the lack of beef cow buildup suggests continuation of strong feeder cattle prices and favorable returns for brood cow operators.

The *Cattle on Feed* report indicated that 10.9 million head of cattle were in feedlots in the 13 major reporting states on January 1. This is a 7 percent increase over year-ago levels. Placements in the last quarter of 1992 were up 5 percent from the previous year.

Some analysts had felt that low priced feed grains in the midwest and plains would result in more aggressive placements. Placements in Iowa and Kansas were actually down from last year's levels. Placements were up 8 percent in Illinois, 12 percent in Nebraska, and 10 percent in Minnesota. Conclusions regarding the impact of low priced corn seem mixed.

Feedlot managers intend to market 3 percent more cattle in the first quarter of 1993 compared to the same quarter in 1992. Larger first quarter marketings are also indicated by the weight breakdowns in the report. The number of steers weighing 1,100 pounds and over were down 9 percent. These animals would have been marketed in January. The number of steers in the 900-1,099 pound weight range, however, were up 3 percent, indicating that slaughter quantities should be increasing into February and March. A similar pattern was seen on heifers.

Beef cow producers have expanded the herd only 0.7 percent in the last year. Most had expected at least a 1 percent expansion. This report confirms a very modest increase in beef cow numbers. With increases in domestic population and growth in volume of beef exports., this level of increase will keep per capita beef supplies about constant into 1994.

The eastern corn belt had beef cow expansion at a rate of about 1.2 percent, which is greater than the country as a whole. By state, Illinois increased beef cows by 2.3 percent, Wisconsin by 11.4 percent, and Michigan by 8.5 percent. Two eastern corn belt states had a decrease in their beef cow herds. Indiana was down 2.1 percent and Ohio was down 4.1

percent. Iowa's cow numbers were also down by 3.2 percent. Other parts of the country, including the southeast and the mountain states, also had moderate increases in their herds.

Milk cow numbers were lower by 0.7 percent and stood at 9.8 million head. Milk cow numbers dropped in all eastern corn belt states except Michigan, where the dairy cow herd was up 1 percent. Ohio numbers were down 5 percent, Wisconsin down 3 percent, Illinois down 2 percent, and Indiana down 1 percent.

Cattle and calf prices are not expected to be greatly affected by these reports in the short run. Tightness in fed beef supplies in late 1992 led to very high prices. These price levels should moderate somewhat in February and March, with choice steers in the plains trading in the $76 to $78 range. However, seasonal shortness in supplies in late March and early April should lead cattle prices back to near the $80 level.

Continued strength in the finished market, moderate priced feeds, and low interest rates should continue to allow feeder cattle and calf prices to move seasonally higher into the spring. The moderate increase in brood cow numbers suggests that the favorable profits for brood cow operators experienced since 1987 will continue through 1994.

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

FIRST CLASS