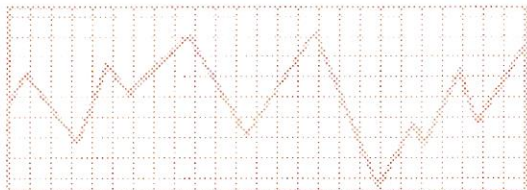




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WEEKLY OUTLOOK

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CATTLE ON FEED REPORT SAYS MORE CATTLE ARE COMING

The latest USDA *Cattle on Feed* report shows that the number of cattle in feedlots at the beginning of April was 8 percent higher than at the same time last year. The larger number is similar to the increases which were evident in February, when feedlot numbers were up 7 percent, and March, when they were also up 8 percent. For the January through March quarter this year, placements into feedlots in the 13 reporting states were down 1 percent and marketings were down 2 percent. The 2 percent lower marketings figure was in stark contrast to the estimate of a 3 percent increase in marketings that feedlot managers gave back in January.

Actual slaughter of all cattle for the first quarter of 1993 was down about 1.4 percent. The stronger-than-expected prices in early 1993 can be partially attributed to the smaller-than-expected supply of cattle from feedlots. In addition, the cattle marketed in the first quarter were 15 pounds per head lighter than average weights in the first quarter of 1992. With a smaller number of cattle slaughtered and lighter weights, total beef production was down a surprising 4.2 percent, giving rise to tight supplies and prices of choice steers which reached the low \$80s.

Feedlot managers indicate they intend to market 3.4 percent more cattle in the April-June quarter of this year compared to the same quarter last year. One must wonder whether the same over-estimate of marketings might also occur this quarter as it did in the first quarter. Two pieces of information help yield some initial insight into this possibility. The first is that slaughter numbers for the period April 1 to April 24 indicate that slaughter is still running about 1.5 percent lower than the same period last year. Second, the number of cattle on feed in the heaviest weight categories, which would be marketed in early April, were down about 3 percent. Thus, it appears that the inventory report may be fairly accurate.

If the inventory report is accurate, some concern can be voiced for much larger beef supplies reaching the market in late April, May, and June. As an example, the April 1 inventory of steers and heifers in the 900 to 1,099 pound weight range was up 22.7 percent,

while the number of steers and heifers in the 700 to 899 pound weight range was up 2.2 percent. If these numbers are correct, a substantial increase in marketings can be expected in May and June. Indications from the fourth week of April show what may be the start of an increase in slaughter. The weekly slaughter was up 10 percent from the same week a year-ago.

Placements during the first quarter were most aggressive in several midwestern feeding states, probably because of the abundance and low price of corn. In Illinois, placements were up 21 percent from last year and placements in Iowa were up 16 percent. The total number of cattle on feed was also high in midwestern states, with Illinois up 12 percent, Iowa up 10 percent, Nebraska up 14 percent, and Minnesota up 2 percent. Illinois and Iowa are generally viewed as farmer-feedlot states. Farmer-feedlots are defined as feedlots with less than 1,000 head of capacity.

Cash prices of finished cattle are expected to drop during the remainder of the spring and early summer. With the potential for considerably larger fed beef supplies in the second quarter, total beef production could rise about 3 percent for the quarter and send choice steer prices in the Plains back into the mid-\$70s by early summer.

The report, however, was fully expected by futures markets, which had established sizable discounts for the June contract in relationship to April futures. The major question for the market is will the larger slaughter supplies develop in the second quarter, or did the *Cattle on Feed* report over-estimate the number of slaughter cattle to come out of feedlots, as was the case in the first quarter?

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