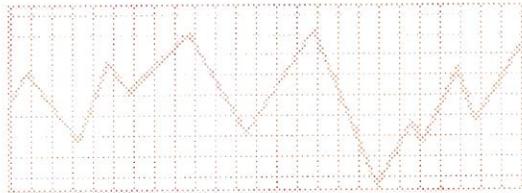




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WEEKLY OUTLOOK

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FEED LOTS TO TURN OUT LOTS OF BEEF

The USDA's October Cattle on Feed report indicated that 9 percent more cattle were on feed in the 13 major reporting states. This number was slightly lower than had been anticipated, but continues to indicate that beef supplies will be relatively large, at least through this fall and winter. The price impact of the report is expected to be short-lived however, as the market will be influenced by the sharp recovery in cattle prices which occurred during the middle of October. Only modest further recovery in prices can be expected into late 1993.

The most bullish number in the quarterly report was the modest number of cattle placed in feedlots during the third quarter. For the 13 reporting states, placements were up only 3 percent. Placements were particularly low in the flood ravaged states of the Western Corn Belt. Placements were down 10 percent in Iowa, down 9 percent in Illinois, and down 5 percent in Minnesota. The reduction in South Dakota placements was 23 percent. These states have more farmer feeders and appear to have been greatly affected by concern over the availability of feed.

Offsetting the lower placements in the Corn Belt, however, were much higher placements in the Southern Plains. The number placed for the quarter in Texas was up 22 percent, with Oklahoma up 18 percent. This uneven pattern of geographic placements will likely have some implications for slaughter supplies and prices into the winter and spring, with relatively greater supplies and relatively lower prices in the Southern Plains. It is also likely that the Corn Belt and Northern Plains states will continue to place fewer cattle through the winter due to the reduced availability of feed grains and forages.

The weight breakdowns indicate that fed cattle supplies could ease somewhat into November. The number of heifers and steers weighing over 1100 pounds on October 1 was up by nearly 10 percent, but the number of 900 to 1099 pound animals was up only 3 percent. Any price strength associated with lighter November slaughter will be short lived as the number of cattle in the 700 to 899 pound range was up about 12 percent.

Interestingly, the number of heifers in feed lots was up 15 percent on October 1, while the number of steers was up only 6 percent. The larger relative percentage of heifers in feed lots may be an indication that fewer heifers are actually being withheld for replacement heifers to return to the breeding herd. The 2.5 percent spurt in beef cow numbers last July 1, in combination with lower late summer prices, may have convinced some farmers and ranchers to

change beef cow expansion plans. The next indication of beef cow numbers will come in the January Cattle inventory report.

The most bearish number in the report was the indication that feed lot managers intend to market 7 percent more cattle in the fourth quarter of this year. This expected marketing number is not a particularly good indicator of actual marketings, but is at least a signal that the slaughter count could be up. In addition to the anticipation that more steers and heifers will be marketed this fall and winter, weights have also moved up to a year-ago levels, and are now somewhat higher. Also contributing to higher slaughter will be greater cow slaughter. Cow slaughter has been up most of the year, but was particularly high in the late summer, probably due to some cow liquidation in flood areas.

Beef supplies are expected to be up 3 to 4 percent in the last quarter of this year and by about 6 percent in the first quarter of 1994. By the week of October 25th, choice steer prices had recovered to near \$75 in the Southern Plains. Some modest increase in prices is expected in November, but December prices are expected to once again be weak. Price levels for the winter quarter are expected to range from the \$73 to \$74 range in January up to highs of about \$77 to \$78 in late March and early April.

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