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 7, 1994

CORN PRICES CAUSE LOW CATTLE PLACEMENTS

Feedlot managers have responded to higher corn prices since the November crop report by placing fewer cattle into feedlots. This was especially true during December. Skeptics who argue that corn prices have not been high enough to encourage livestock producers to reduce feed use, had their case deflated in the January *Cattle-On-Feed* report.

The number of cattle in feedlots in the latest 13 state inventory survey was 1.9 percent higher than January levels last year. In addition, the number on-feed is the highest January count since 1979. However, the placements moving into the feedlot were down 6 percent during the last quarter of 1993, while marketing remained up 2 percent. Thus, on-feed numbers dropped from 8.1 percent larger than year-ago on October 1, 1993 to 1.9 percent higher on January 1.

Monthly data on placements is provided in the 7 state report and indicates that much of the reduction in placements for the fourth quarter came in December. In November, placements were about unchanged from previous year levels, but were down a sharp 12 percent for the month of December. Corn prices continued to move higher through the first 12 days of January, before dropping. Thus, it is likely that January placements will also be down.

The implication of reduced placements is that corn and feedgrain use by cattle feedlots will be heavy in the first half of the corn marketing year, but lighter in the last half. This is consistent with rationing of the short 1993 corn crop.

The drop in placements during the last quarter occurred throughout the major cattle feeding states. Actually the reduction in placements was greater in Texas and Oklahoma than it was in Iowa and Minnesota where the flood trimmed the corn crop. Quarterly placements were down 8 percent in Texas and down 4 percent from last year in Oklahoma. In Iowa, however, they were down only 3 percent and unchanged in Minnesota. Illinois, which was not as greatly afffected by the flooding, had placements which were down 7 percent, more sharply than Iowa.

The majority of cattle continue to be finished in "commercial feedlots" which the USDA defines as those with a capacity of 1,000 head or greater. Those with less than 1,000 head of capacity are defined as "farmer feedlots." On January 1, commercial feedlots in the 13 reporting states contained 83 percent of the cattle on-feed, while farmer feedlots held the remaining 17 percent.

These percentages, however, do vary from state to state. Farmer feedlots are dominant in the states of Iowa, Illinois, and Minnesota. In each of these states, farmer feedlots contain about 77 percent of the cattle. These three states, however, accounted for only 14 percent of he 13 state inventory on January 1. Farmer feedlots are also still important in South Dakota, 41 percent of the feedlot cattle, and Nebraska, 18 percent of the feedlot cattle. All the other major states are near 100 percent commercial feedlots.

The recent *Cattle* inventory report indicated that the 1993 calf crop was 39.6 million head, which was down from the July estimate of 40.1 million head. This implies that calves and feeder cattle will be in shorter supply than previously thought. The number of beef cows, at 34.9 million head, was up 3 percent, a larger increase than expected by the market. From 1989 through 1992, beef cow numbers expanded by only 2.3 percent. That rate of expansion accelerated significantly in 1993, with a single year expansion of 3 percent.

The drop in placements in December, and the anticipated drop in January, should help reduce somewhat the number of cattle being marketed from feedlots in the summer time period, and may provide modest price stgrength for finished cattle. Since January 12, lower corn prices have been bid back into higher prices for feeder cattle, thus anticipated feeding margins have not been strongly enhanced by the lower corn prices.

Feeder cattle and calf prices will likely be supported modestly by the lower 1993 calf crop numbers, but will continue to be influenced by any swings in corn prices. Beef supplies this winter will continue to be sharply higher than last year. The larger supplies are the result of a larger number of cattle being marketed this winter and much higher weights. Supplies are expected to remain higher by about 5 to 7 percent, with prices moving to the $75 to $77 range for early spring highs.

Longer-term, the growth in the beef cow herd means that beef supplies will increase more dramatically in 1995 and 1996. Lower cattle prices will likely be the result.

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