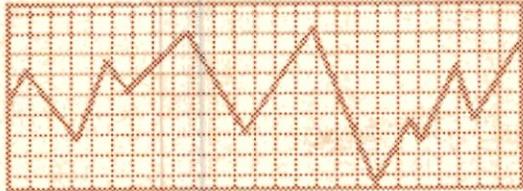




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WEEKLY OUTLOOK

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FEEDLOT MANAGERS REMAIN CAUTIOUS ON PLACEMENTS

Cattle feedlot managers continued to remain cautious on placing cattle into feedlots this past winter. Placements in the 13 major cattle feeding states were up only .3 percent during the first quarter of the year. On the other hand, marketings were up by 4.3 percent, dropping the April 1 on-feed number to 10.6 million head, which was 1.6 percent more than last year. Feedlot managers were likely cautious on placements due to the uncertainty of feed prices and because of large losses experienced during the fall and winter.

Feedlot losses in the fall approached \$10 per hundredweight, as feed prices moved sharply higher than had been expected. Feedlot losses eased this spring with live cattle prices moving back into the mid-\$70's, and with moderation in feed prices. However, losses of \$2 to \$5 per hundredweight were still common.

Some regional differences in placements also occurred. In Iowa, the number of cattle placed in the first quarter of 1994 was down 20 percent. Placements were down 13 percent in Illinois. These states have primarily farmer feedlots where feed production and feed quality was reduced by last year's flooding. Plains states, on the other hand, tended to have larger placements than a year-ago. Placements were up 15 percent in Kansas, up 18 percent in Oklahoma, and up 3 percent in Texas. The large percentage rise in some of these states is also related to the relative poor weather for cattle feeding one year-ago, which resulted in lower placement levels.

While feedlot managers were not overly aggressive in placing cattle in the first quarter, the 1.6 percent increase in feedlot numbers means there will be sufficient beef in coming months to cause prices to drop in the late spring and summer. The industry needs to keep in mind that the current number on-feed is only 1 percent below the number on-feed in 1991, a year when finished steer prices dropped from a monthly average of over \$80 in April to about \$67 in September.

A critical factor causing a sharp late-summer sell-off in prices in 1991 was heavier weights. Weights will likely also be a concern this summer. In 1991, carcass weights advanced from 691 pounds in April to 724 pounds in September. So far this year, weights have also been running quite high. In the first quarter of the year, carcass

weights have averaged about 712 pounds, which is nearly 20 pounds heavier than the first quarter average for the years 1990 to 1992.

Feed prices have moderated in recent weeks and prospects have improved for the 1994 wheat crop, which implies lower wheat prices. Each of these factors has the potential to reduce losses in feedlots, but also to result in heavier marketing weights. Feedlot managers will need to keep weights in check this summer to avoid a major erosion in cattle prices.

Beef supplies are expected to be up by about 5 percent in the second quarter and up 2 percent in the third quarter of 1994. Spring prices peaked near \$77 per hundredweight in mid-April and are expected to edge lower into the summer. The decline into this summer is expected to be somewhat less than in most years because of the slow placement rate from October 1993 through January of 1994. Prices for choice steers on the plains are expected to drop to the \$72-\$73 level by July, with further erosion to near \$70 by the end of summer.

Feedlot managers need to keep marketing cattle on a current basis to avoid the weight problems of 1991. In addition, they need to budget the purchase price of feeder cattle closely. Finally, while the early spring of 1994 seems to be providing an opportunity for favorable planting, feedlot managers must remember that the uncertainty of growing season weather, and therefore much of the uncertainty regarding 1994 feed prices, is still in front of us.

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