Cooperative Extension Service

WEEKLY OUTLOOK

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DISCOURAGED CATTLE FEEDERS REDUCE PLACEMENTS, BUT BEEF SUPPLIES STILL TO RISE

The number of cattle in feedlots is dropping sharply due to large financial losses suffered by cattle finishers over the past 9 months. However, beef supplies will likely continue to be moderately above year-ago levels for the next year and continued build-up in beef cow numbers suggest that beef supplies will expand further in 1995 and 1996.

Cattle placements were off sharply during the April-June quarter according to the latest USDA *Cattle on Feed* report. Placements in the 13 major reporting states were down 12.1 percent during the spring quarter. Marketings were up 2 percent, so that the total number on feed on July 1 was down nearly 5 percent from last year.

The sharp drop in placements is better demonstrated by the 7 state monthly report. Placements in the 7 states were up 7 percent in April but plummeted by 22 percent in May and dropped 16 percent in June. The decline in placements can be attributed to the massive decline in finished cattle prices and futures prices in May and June. Estimated margins for Great Plains feedlots showed moderate losses in April, but the estimated red ink in May was about $12 per hundredweight, before hitting a disastrous $15 per hundredweight in June.

The states which reduced placements during the spring quarter were nearly universal, with the exception of California. In the midwest, Minnesota placements were down 30 percent, while those in Nebraska were down 25 percent, and South Dakota placements were off 17 percent. By contrast, placements in Iowa were down only 9 percent, while Illinois placements were off only 7 percent.

Beef cow producers increased their herds by 2.5 percent relative to July a year-ago, as reported in the USDA *Cattle Inventory* report. The total number of beef cows was reported as 36.3 million head. This increase means that beef supplies will continue to grow in 1995 and 1996. Beef cow numbers have grown by 8 percent since their most recent low in 1989. Most of this growth (5 percent) has come in the past two years.

While the beef cow population has grown, dairy numbers continue to drop. The number of dairy cows, at 9.6 million, was down 2 percent from last year. The combined beef and dairy cow count was up only 1.5 percent during the last year. Dairy cow numbers have dropped by 5 percent since 1989.

The cattle industry will be searching for answers to the loss of confidence in cattle prices this past spring. Choice steer prices dropped from seasonal highs of about $77 in early April to near $60s by early July. Many analyst felt prices would not drop below $70.

Much of the blame seems to lie with larger than expected supplies of both beef and pork. In addition, while retail prices were coming down, they did so more slowly than wholesale prices. With more beef to move to consumers than expected, the sluggish reduction in retail prices did not stimulate purchases of the added tonnage. As a result, packers continued to increase the amount of inventory in coolers and reduce live cattle bids to even lower prices. The result was record marketing margins, with the greatest share of the record margins occurring at the wholesale to retail level.

Beef supplies are expected to remain about 2 percent higher for the remainder of 1994, and then be about 1 percent higher in the first half of 1995. With population growth of nearly 1 percent, however, per capita supplies are expected to be up only .4 percent over the next 12 months.

As retail prices have moved lower in June and July, consumer and producer confidence in prices has improved. Choice steer prices on the plains are expected to average in the high $60s for the summer, and strengthen into the very low $70s in the last quarter of 1994. During the first-half of 1995, prices are expected to average in the high $60s during the first quarter, and again in the very low $70s during the second quarter of 1995. Spring 1995 highs should move cattle prices back near the mid-$70s.

The 1994 calf crop is estimated at 40.6 million head, up 2.4 percent from last year. Calf and feeder cattle prices are expected to be lower this fall as the result of an increased supply of calves, weaker demand from feedlots, and remaining uncertainty about the stability of finished cattle prices. Alternatively, low corn prices will remain a positive price factor. Fall calf prices are expected to be $3 to $5 per hundredweight lower than last fall, while feeder cattle prices are expected to be $2 to $4 lower than year-ago levels.

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