Cooperative Extension Service

WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

April 22, 1996

TOO MANY CATTLE: TOO LITTLE CORN?

Feedlot managers placed more cattle than expected in March in spite of rising corn and sorghum prices. The April *Cattle on Feed* report, released on April 19, showed that placements in large lots for the traditional 7-states during March were down only one percent and that the number on-feed was also down only one percent. Placements were higher in most of the western states, but were down sharply in Iowa (19 percent) and in South Dakota (18 percent). It was expected that placements would have been reduced further because of high corn prices. The report provides a further bearish tone for cattle into this fall.

This report makes the corn market continue to question whether cutbacks in grain use have yet been large enough. Cattle in feedlots are major consumers of corn and sorghum. Cattle-on-feed account for about 18 percent of the nation's grain consuming animal units. The two more important species with regard to grain consumption are poultry, which consumes about 28 percent, and hogs, which consume about 22 percent. Only modest cuts have been made recently in the number of broiler eggs set; hog numbers are only modestly lower than year ago levels; and the number of cattle on feed is only modestly lower.

Cattle prices have continued to erode under the weight of heavy marketings, high grain prices, and poor retail demand. Beef production so far in 1996 is up a surprising seven percent. Major contributors to the larger slaughter are increased cow and heifer slaughter; cow slaughter has been heavy since last fall and heifer slaughter has been high for the past year. Beef production remains high, as April 1996 numbers suggest nearly an eight percent increase in production. Cash cattle prices have fallen from the $63 level in early March to about $58 currently.

Record high corn prices and dropping finished cattle prices would seem to be the formula for lower cattle weights, but this has not been the case. For the year, cattle weights have been up about seven pounds on a liveweight basis. Heavier weights represents about .6 percent more beef production. There is no indication that managers intend to reduce weights since the most recent week's average liveweights were up by nine pounds, and the average carcass weight was up by seven pounds.

Beef supplies are expected to continue high into the early summer. Placements had dropped sharply in January and February of 1996. Those lower placements will not show up as lower beef supplies until July and August. The rate of cow slaughter is also expected to remain high due to low prices for calves and feeder cattle, high grain prices, and uncertain pasture conditions in the southwestern plains.

Improvement in demand may stop the downward spiral in cattle prices. While difficult to measure, it is likely that the media attention given to the Mad Cow disease in England did have some negative impact on beef demand in the United States. In addition, spring weather has been cool in much of the country. Warmer weather brings greater attention to demand for steaks for grilling, and as time passes, more consumers that may have altered their beef consumption will return to normal eating habits.

Choice steer prices are expected to improve modestly going into the late spring. A return to prices in the very low $60 area appears likely in June. However, beef supplies will remain very large throughout the summer and rallies are expected to be modest even through the end of the year.

For 1997, lower prices and reduced beef production should begin to brighten the outlook for the industry. However, the uncertainty of the 1996 growing season still faces the industry. Will feed prices be more moderate this fall? Will pasture supplies be sufficient to carry cows and calves through the summer? The answers to these questions will have a great deal of influence on how the industry's fortunes unfold over the next year.

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