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CHOICE STEER PRICES averaged well above the $50 per hundredweight level in recent weeks as commercial beef production declined markedly. A sharply lower volume of fed cattle marketings coupled with lower dressing yields held commercial beef production 3 percent below the year-earlier level during the second quarter and 6 percent below the first-quarter pace. But with feedlot inventories now on the upswing, it appears that fed cattle marketings will be rising in the months ahead. This expected rise in fed cattle marketings coupled with the large anticipated volume of nonfed cattle slaughter may cause cattle prices to trend downward from current levels. However, the substantially lower hog production expected will auger against any precipitous decline.

Cattle on feed numbers rose 1 percent during the second quarter, a marked departure from the normal seasonal decline. Nevertheless, the 8.5 million head of cattle on feed in the 23 major states on July 1 was 15 percent below the year-earlier level and a third short of the midyear peak established in 1973. Compared to a year ago, placements of cattle in feedlots during the second quarter were up nearly 17 percent, while fed cattle marketings declined 20 percent to the lowest level since 1966.

Changes in feedlot inventories varied widely in district states. Cattle on feed in Iowa, the second ranking cattle feeding state, numbered 23 percent less than a year ago, while farmers in Michigan had 15 percent fewer cattle on feed at midyear. In Indiana, Illinois, and Wisconsin cattle-on-feed numbers were down 3 percent, unchanged, and up 3 percent, respectively, from a year earlier.

Cattle slaughter has slowed in recent months but remains above year-earlier levels as nonfed slaughter has offset the decline in fed cattle marketings. Preliminary estimates suggest cattle slaughter exceeded the year-ago level by 7 percent during the second quarter. However, total beef production fell slightly as the average weights and dressing yields remained substantially below the relative high year-ago weights and yields. During the first five months of this year the average live weight of cattle slaughtered fell 4 percent short of the corresponding year-earlier level, while dressed weights fell nearly 7 percent. For the remainder of this year slaughter weights will closer approximate year-earlier levels, reflecting the pronounced declines that occurred during the second half of 1974.

Fed cattle slaughter during the third quarter will fall short of the year-earlier volume but will rise above the low marketings of the second quarter. According to the U.S. Department of Agriculture, cattle feeders in the 23 major states intend to market 5.2 million head of fed cattle during the current quarter, down 5 percent from a year earlier but 4 percent above the low second-quarter marketings. These intentions are fairly consistent with the historical relationship between the inventory of heavyweight cattle on feed and subsequent marketings, even though heavyweight cattle numbers are down 20 percent from a year ago.

Projections of nonfed cattle slaughter remain highly uncertain due to the marketing flexibilities inherent in the much larger number of cattle outside feedlots. Although pasture-carrying capacities have held up extremely well so far this summer, the usual heat and reduced moisture conditions during the heart of the summer months will likely trigger some increase in the movement of cattle off pastures. But the presently underutilized feedlot capacity could absorb a significant portion of the cattle moving off pasture. Reflecting this, plus the improved fat/feeder cattle price margin and prospects for a record feed grain harvest, most observers anticipate feedlot placements will continue sharply above year-earlier levels during the second half.

Such a scenario would suggest nonfed cattle slaughter will continue to rise during the third quarter, but year-to-year gains will narrow appreciably. Overall, total cattle slaughter may rise 6 to 8 percent above the year-earlier level during the third quarter. Total beef production will be rising seasonally, but the year-to-year gains will not match slaughter increases since dressing yields will remain below those of a year ago for a few more months. Seasonal increases in slaughter and beef production will likely cause cattle prices to trend downward for most of the last half of 1975. But, in light of the exceptionally low pork supplies, choice steer prices will likely average in the high $40s during the rest of the current quarter.

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