ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801 *February 9, 1977*

CATTLE: CONTINUED PRICE PRESSURE

THE CATTLE SITUATION CONTINUES TO LOOK GLOOMY. The new year brought price declines instead of strength. Two recent USDA reports have not been encouraging. And the final blow was the severe weather recently.

That weather affected the beef industry in various ways. The transportation of beef to consuming areas was interrupted. Demand was reduced for several reasons--less shopping, higher household costs such as fuel bills, and lower incomes caused by job layoffs.

The USDA's *Cattle on Feed* report as of January 1 indicated that the number of cattle on feed in the 23 major states was down 3 percent from the previous year. Cattle placed on feed from October through December were up 5 percent from 1975, and the marketings of fed cattle were 15 percent greater than in the fourth quarter of 1975. During the first quarter of this year, feeders expect to market 6.1 million cattle--4 percent less than last year, but an increase of 7 percent over the 5.7 million cattle marketed in October-December of 1976.

The number of heifers on feed was 2 percent above that of a year ago, with steers down 6 percent. The weight distribution of cattle on feed did not indicate any significant changes in marketing patterns.

The *Cattle Inventory* report as of January 1 provided some surprises for many industry people. The total number of cattle and calves was 122.9 million, a reduction of 4 percent from last year. A considerably greater drop in that figure had been expected. The number of beef cows was down 5 percent from a year ago, declining to 41.4 million, and the count of heifers being saved for beef-cow replacements was down 9 percent, to 6.6 million. Smaller beef supplies in the future are indicated by these reductions. However, supplies for the current year are likely to continue at a substantial level. The figure for heifers not being saved for herd replacement was 9 percent above the one for a year ago. The number of steers weighing over 500 pounds was only 1 percent below last year's. The total for calves weighing under 500 pounds was 6 percent less than a year ago, or down by 2.6 million.

CHANGES IN THE ILLINOIS CATTLE BUSINESS. These are about the same as the national trends. The 620 thousand head on feed January 1 represent a decrease of 2 percent from the previous year. The number placed on feed during the fourth quarter was

5 percent above that for last year, reflecting the prospects for lower grain prices and probably the hopes for stronger market prices. The total inventory of cattle as of January 1 was 3.2 million, a decrease of 200 thousand (or 6 percent) compared to a year ago.

PROSPECTS FOR THE INDUSTRY. Beef supplies will continue to be large. The per capita figure for 1976 of 128 pounds plus probably will be down, but is still likely to be 122 to 124 pounds for 1977. Current indications are that for the first half of this year, the supply of fed beef will be 3 or 4 percent less than a year ago. The supply of cow and non-fed beef should be down even more. However, the adverse weather and the high costs of hay may cause a smaller drop than expected.

CATTLE PRICES. These are going to depend heavily on the strength of the demand for beef. If that demand is weakened further, as appears likely, the prices of fed cattle may decline still more during the winter. With reduced slaughter in the spring and some improvement in demand, though, prices could move up to the mid-forties for choice cattle in the late spring or summer.

M. B. Kirtley

M.B. Kirtley, Extension Economist, Livestock Marketing

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801