



# ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE  
DEPARTMENT OF AGRICULTURAL ECONOMICS

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## CATTLE INVENTORIES DECLINING, PRICES IMPROVING

THE SIZE OF THE U.S. CATTLE HERD HAS DECLINED FOR THREE CONSECUTIVE YEARS. As of January 1, the total number of cattle and calves on U.S. farms was estimated at 116.3 million, 5 percent less than a year ago. The inventory has declined by almost 16 million cattle, or 12 percent, since the peak on January 1, 1975, and is the smallest beginning-of-the-year inventory since 1971.

The liquidation of the cattle herd has been in response to declining prices for live cattle, and was intensified in the past two years because of dry range and pasture conditions. The liquidation has contributed to sagging prices by placing large quantities of beef on the market. In 1974, when cattle inventories were increasing, the federally inspected cow slaughter totaled 6.8 million. (Additional cattle are slaughtered under state supervised procedures.) Over the past three years the federally inspected cow slaughter has averaged 9.7 million annually. Commercial calf slaughter also increased, from less than 3 million in 1974 to over 5 million annually during the past three years.

The slaughter of commercial cattle and calves increased from 39 billion pounds, live weight, in 1974 to almost 45 billion pounds in 1976 and remained over 44 billion pounds in 1977. Per capita availability reached a peak of 129.2 pounds in 1976. The price of choice steers at Omaha averaged \$39.11 per hundredweight in 1976, the lowest figure since 1971. In constant dollar terms, the price of live cattle reached an all-time low in 1977.

The buildup in cattle numbers in response to high prices in 1973 was very rapid. Similarly, the decline in response to low prices has also been quite dramatic. The January 1 inventory was 1 to 2 million less than most expectations. Assuming more normal range and pasture conditions, the size of the cattle herd is likely to stabilize during 1978. Reductions in cow and calf slaughter, however, will be partially offset by increases in the slaughter of fed cattle. The January 1 Cattle on Feed Report showed that feed-lot inventories were about 7 percent greater than last year.

On balance, the availability of beef per capita will decline from 125.7 pounds in 1977 to near 120 pounds in 1978. Because of a 6-percent reduction in the number of beef cows and a 3-percent reduction in the size of the calf crop in 1977, the per capita

availability of beef is likely to continue its decline for the next two or three years. Declining supplies point to sharply increasing cattle prices.

Not only does the beef supply picture indicate improving cattle prices, but the demand for beef is also expected to remain strong. The level of consumer disposable income is a primary indicator of consumer demand. Per capita disposable income in 1978 is expected to increase faster than the general rate of inflation.

Although some concern has been expressed about the declining percentage of consumer income spent on beef, this change does not reflect a weakening demand. The decline is a function of the large quantity of beef placed on the market and the relatively high proportion of non-fed beef marketed in the past three years. A return to more normal levels of total cattle slaughter, as well as that of non-fed beef, should result in an increasing proportion of consumer income going for beef.

The cattle cycle has apparently bottomed out, in terms of both numbers and prices. Most analysts are predicting a modest rate of increase in cattle prices over the next two years. The potential for upward prices is large, and may actually exceed expectations.

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