



# ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE  
DEPARTMENT OF AGRICULTURAL ECONOMICS

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## CATTLE NUMBERS ARE ON A COLLISION COURSE WITH SHORTAGE

THE TOTAL NUMBER OF CATTLE ON JULY 1, WAS 121.6 MILLION. This figure was down from 130.2 million, or 6.6 percent, the year before. The rapid liquidation of beef cattle that began in 1975 is continuing. Beef cow numbers were down 8.7 percent and dairy cows were down only 1.4 percent. Intentions about the future point to still more liquidation. Heifers held for beef replacements totaled 5,362,000--compared to 5,839,000 on July 1, 1977--down 8.2 percent. More important, this category was down from 7,839,000 on July 1, 1974--a drop of 31.6 percent. Heifers intended for the feed lot were 8,752,000--up 2.8 percent from a year ago and up 19.7 percent from 1974.

The estimated calf crop for 1978 is 44,138,000--down 4.2 percent from 1977 and 12.9 percent from 1974. These are the calves that will supply beef during 1979 and 1980.

1978 is the fourth year of rapid liquidation in cattle numbers. If slaughter rates during the second half of 1978 continue on the present pattern, the number of cattle on January 1 would be 109 million. This would be a cattle inventory equal to that of the second half of the 1960's.

The impact of the liquidation has two dimensions. For four years, the consumption of beef has exceeded production. We have been liquidating inventories on the hoof. At the same time, the production base has been reduced. Fewer cows means fewer calves. Fewer calves eventually result in less beef on the market. Sooner or later, cattle numbers will be stabilized and the full impact on beef supply will be felt.

The size of the impact can be measured if we assume that cattle numbers on July 1, 1980, will be equal to the July 1, 1979, figure--that is, the liquidation ceases in 1978. The slaughter of cattle in 1979 will be about 35.4 million head; and that of calves, 3.5 million. Allowing for increased slaughter weights, beef production will be 21.7 billion pounds, or 99.1 pounds per capita. This would be the smallest amount of beef per capita available since 1965, a major decrease from the record high of 119 pounds in 1976. The decrease would be 12.6 percent from the figure for 1978.

There is beef shortage in the future. The longer the balancing of production and use is delayed, the greater the decrease will be because continued liquidation decreases the production base.

The report for 23 states of Cattle on Feed as of July 1 indicates relatively large supplies for the next several months. All cattle on feed were up 12 percent from a year ago. Also, the kinds of cattle on feed indicate a further liquidation. Steers on feed were up 7 percent; heifers, up 20 percent; and cows, up 32 percent. We are getting future production ready to consume immediately.

The impact of decreased production on prices is uncertain. However, the direction is clear. Prices will go higher. How much higher depends on consumer reaction to the smaller supply. Consumer expenditures, hence beef and cattle prices, can usually be predicted from consumer income, the meat supply, and inflation. Consumers spent less for meat in 1977 than expected, based on those three factors. Expenditure patterns during the first half of 1978 were more in line with the past, and cattle prices rose substantially. It was consumer demand rather than beef supplies that pushed prices up.

If beef liquidation ceases in 1979 and consumers react as they have in the past, cattle prices will go to quite high levels. An increase of 25 percent would not be surprising.

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