



RETURN TO 419 M.H. ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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CATTLE HERD STILL DECLINING

THE USDA'S JANUARY CATTLE INVENTORY REPORT confirmed most expectations. The nation's cattle herd is still declining. Cattle numbers have been declining at a record pace for 4 years.

As of January 1, the total number of cattle and calves on U.S. farms was estimated at 110.9 million, 5 percent less than a year ago. The inventory has declined by 21 million cattle, or 16 percent, since the peak of January 1, 1975. The cow herd, which is the source of future slaughter cattle, has declined by almost 19 percent during the same period. Even more dramatic has been the decline in the number of heifers kept for replacing beef cows. The heifers being kept for this purpose now number about 5.5 million, down 38 percent from 1975.

As a result of the liquidation of the breeding herd which has occurred steadily for 4 years, the size of the calf crop in 1978 was 13 percent smaller than in 1975. The number of cattle weighing under 500 pounds on January 1 was almost 25 percent less than 4 years ago.

The impact of the liquidation phase of the cattle cycle has been large beef supplies and relatively low cattle prices. However, the rate of liquidation will slow down considerably in 1979. Cattle numbers may stabilize this year with the rebuilding phase gaining momentum during 1980. With the rebuilding phase will come a decline in beef supplies as heifers are kept for breeding rather than being placed in the feedlot for fattening and slaughter. Producers are also likely to cull fewer cows, thus further reducing the slaughter rate for cows.

The level of cattle placements into feedlots has been very high during 1978 and is likely to continue high through 1979. The number of steers and heifers marketed directly off grass pastures will continue to decline. The reduction of cow slaughter and marketings of grass-fed beef will result in a larger percentage drop in the supplies of lean beef than in beef supplies generally.

The reduction in beef supplies will become more dramatic as 1979 progresses. The January Cattle on Feed report indicated that about 1 percent fewer cattle were on feed than a year ago. However, there were 24 percent more cattle weighing over 900 pounds and 10 percent fewer weighing less than 900 pounds. The decline in the

calf crop means that feeder cattle will not be available in sufficient numbers to replace the heavy cattle as they are marketed. The reduction in the cattle herd may be partially offset by heavier feeding rates, but 1979 beef supplies could decline by 10 percent compared to last year.

PRICE IMPLICATIONS. Cattle prices will increase during 1979. The only question is how much. Commercial cattle and calf slaughter declined 5 percent in 1978, and cattle prices increased by nearly 30 percent. A rebound in consumer demand as well as inflation contributed much to that increase. Those factors will influence beef prices upward again in 1979.

Increasing pork and poultry supplies will temper the increases in beef prices somewhat. However, the increase in pork and poultry supplies will not offset the reduction in beef supplies. We may see beef prices supporting pork and poultry, with a widening spread in cattle and hog prices.

At the current level of \$65 per hundredweight, cattle are not high-priced in terms of constant dollars. So substantial increases can be expected, even during the early rebuilding phase of the cattle cycle.

D. L. Good

D.L. Good, Extension Specialist, Prices and Outlook

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

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