ILLINOIS FARM AND FOOD OUTLOOK
COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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CATTLE NUMBERS INDICATE A TURN IN THE CATTLE CYCLE

THE SEMIANNUAL SURVEY BY THE USDA indicates a turn in the cattle cycle. Based on the July report by class, we expect the number of cattle on January 1 to be 110.5 million. That would be only 300 thousand below last January 1. We expect the numbers to turn up during 1980, perhaps by a million. The liquidation has ended and the buildup has started.

The total number of cattle on farms July 1 was 118.5 million, down 2.6 percent from last July. On July 1, 1978, the figure was down 6.5 percent from the year before. The peak July 1 inventory was recorded in 1975 at 140.2 million. The herd is down 15.5 percent from the peak, a fast and big liquidation.

At 37 million, the number of beef cows on July 1 is down only 1.7 percent from a year ago, compared to a decrease of 8.5 percent the year before. Beef-cow replacement heifers showed an increase of 7.8 percent over last summer, compared to a decrease of 8 percent on July 1, 1978. The pattern of holding back heifers and increasing the breeding stock has started.

Supplies of cattle that will come to market during the second half of 1979 are down sharply. There were 7.751 million heifers in the category of 500 pounds and over, other than those being kept for breeding and 16.86 million steers at 500 pounds and over. The two groups total 24.6 million, down 7.6 percent from a year ago. In addition, cow slaughter during the second half of 1979 will be down sharply. So beef supplies for the rest of 1979 will continue to be sharply below those of 1978.

Looking farther ahead, the 1979 calf crop is currently estimated at 43.6 million. The 1978 figure was 43.8 million. The 1979 calf crop is the smallest one since 1966 and is down 14.3 percent from the record calf crop of 1974.

Cattle numbers rarely remain stable. Based on past cattle cycles, we expect the total to increase during 1980 by about a million head. Even allowing for a further cut in calf slaughter and a moderate increase in cattle imports from Mexico, there will probably be a decrease in availability for slaughter in 1980 of more than one million head, making the smallest slaughter since 1967. Beef supplies will remain short through 1980, how short depends on the rate at which the herd builds up.

expenses originating on the farm, that is feed, livestock, and seed pruchases, have accounted for 27 to 30 percent of total production costs in recent years.

Production expenses originating off the farm consist of machinery costs, as reflected in repair and operating expenses and depreciation, amounting to about 18 percent of the total. In recent years, fertilizer has been about 6 percent; hired labor, 7 percent; pesticides, 2 percent, and interest, 11 percent of total production expenses.

Gross farm income rose from $49.9 billion in 1967 to $142 billion in 1979. Gross income increased an average of about 9 percent per year for the 12-year period (3 to 36 percent annually). Between 1967 and 1979, net farm income after inventory adjustment increased about $19.7 billion, from $12.3 billion in 1967 to approximately $32.0 billion for 1979 (-22 to +78 percent).

In projecting next year's farm income, we begin with the price changes in farm inputs, estimate the quantities used, and arrive at expected expenses for farm production. The prices projections times the quantities of crops and livestock plus other income equals gross income. Gross farm income minus farm production expenses equals net farm income.

Although the annual change in gross income, production expenses, and net income averaged 9 to 11 percent per year from 1967 to 1979, the variation from year to year was the smallest for production expenses and the greatest for net farm income. In terms of 1967 dollars from 1967 to 1979, farm production expenses went up 41 percent; net farm income, 25 percent. The prices paid for inputs times quantities, the prices received times the quantities sold, and inventory changes show that change from year to year, is compounded from production expenses to gross income to net income.

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