



WEEKLY OUTLOOK

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CATTLE INVENTORY LARGER THAN EXPECTED

THE SEMIANNUAL CATTLE INVENTORY WAS RELEASED BY THE USDA on July 28. The total cattle number on July 1 was 123.2 million head, up 4 percent from a year ago. Beef cows were up 6 percent and dairy cows were up 1 percent. The number of heifers kept for replacement was up 2 percent and the number kept for dairy herds was up 7 percent. On January 1 all cow numbers were essentially unchanged from the year before. The current change from the January 1 situation thus marks the first half of 1980 as the turning point in the cattle cycle. The rate of increase in cow numbers is moderate, faster than that of the late 1960s but slower than during the early 1970s.

The turnaround in cow numbers may not be as great by the end of the year as it now appears. The increase followed the relatively high cattle prices in late 1979, and the low prices last spring did not have an impact on herd expansion plans during the first half of 1980. In addition, the drought in the Southwest is causing liquidation of breeding stock. Nearly 30 percent of the year-to-year increase in beef cow numbers was in Texas where the drought has been most severe.

The 1 percent increase in dairy cow numbers was the first in many years. Together with the 7 percent increase in dairy replacement heifers, it reflects the relatively high profit position of the dairy industry.

The calf crop for 1980 was projected at 45.5 million head, up 6 percent from 1979. Because most calves are dropped during the first half of the year, projections have been accurate in the past. The number of calves per cow in the herd on January 1 was 0.95 as compared with 0.89 during 1979. The 0.95 rate is a record high. During a year with a mild winter, as in 1980, the calving rate is usually high. However, the record rate and severe drought in much of the range country raises the possibility that the calf crop may be smaller than currently estimated.

Feeder animal numbers are about equal to those of a year ago. Steers over 500 pounds and heifers over 500 pounds not kept for herd replacement totaled 24.2 million compared to 24.6 million a year ago. However, the number of cattle on feed on July 1 was about 9.9 million, compared to 10.3 million a year ago. Thus, the number of animals over 500 pounds available for feed yard placement was just equal to last year's number.

The total number of animals under 500 pounds was 36.0 million, compared to 33.8 million last year, an increase of 2.2 million. The increase in the projected calf crop is 2.8 million. The number of feeders available for placement in 1981 will be up about 6.5 percent.

The short-run price implications are not very great. The number of cattle on feed is relatively small, and recent placements on feed have been sharply below levels a year ago. The market supply of cattle will continue to decrease for the next six months or more.

For the longer run, the inventory report indicates a gradual increase in beef supplies beginning in the second half of 1981. However, the production base is not large. From the July 1, 1975, level all cattle numbers are down 12 percent, beef cow numbers are down 16 percent, and the projected calf crop is down 10 percent. It will take several years to build the beef supply back up to the level of the mid-1970s.

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