



WEEKLY OUTLOOK

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MODERATE BUILDUP IN CATTLE NUMBERS

THE JANUARY 1, 1982, INVENTORY OF CATTLE was released by the USDA on January 29. Cattle and calves totaled 115.7 million head, up 1.2 percent from 114.3 million on January 1, 1981. The increase was smaller than generally expected and smaller, too, than the 2.8 percent increase that occurred in 1980. The lower rate of increase in cow herds and beef production can be attributed to the unprofitable position of the cattle industry.

During the last buildup in cattle numbers, the inventory reached 131.8 million on January 1, 1975. There followed a fast liquidation to 110.9 million on January 1, 1979. Numbers were held essentially stable during 1979, with a relatively rapid increase taking place in 1980. Cattle prices were high in 1979, and it appeared that another period of rapid buildup in cattle numbers had started in 1980. Further, it seemed that the withholding of breeding stock would reduce slaughter, forcing prices still higher and generating enthusiasm for more buildup until excess production forced a crash and also herd liquidation. However, this kind of cyclical pattern may have been avoided. Consumer resistance to high beef prices in mid-1979 caused a major reduction in cattle prices. The short feed crops in 1980 that resulted in high grain prices during 1980-81 kept cattle-feeding unprofitable. In addition, supplies of pork and poultry increased rapidly during 1980 and 1981, further depressing prices for both fed and feeder cattle. Since a combination of these factors appears to be moderating herd expansion, the "boom and bust" syndrome may be avoided.

Beef cow numbers, the best indicator of underlying herd size, reached a peak of 45.5 million head on January 1, 1975, and were decreased to 37.1 million by January 1, 1979. On January 1, 1980, the number was also 37.1 million. This was increased by 1.6 million on January 1, 1981, to 38.7 million. At 39.4 million on January 1, 1982, the rate of increase was cut in half.

Dairy cow numbers were regularly decreased for many years until 1980. There was an increase of 81,000 head in 1980 and an increase of 138,000 during

1981. The stabilization and increase in dairy cow numbers tend to obscure the moderation in beef production because dairy and beef animals are combined in estimating calf crops.

The calf crop reached a high of 50.7 million in 1974 and a low of 42.6 million in 1979. Compared with these figures, the calf crop in 1980 was 45.0 million, and 44.7 million in 1981. A normal calving rate in 1982 will produce about 45.4 million head. The underlying numbers from which beef will be produced during 1982 and 1983 are about stable at a level 10 percent below the peak of the mid-seventies.

The supply of animals for slaughter during 1982 is largely determined by the number of heifers not kept for herd replacement, by steers 500 pounds and over, and all steers and heifers under 500 pounds. These categories totaled 51.6 million on January 1, 1982, compared with 51.7 million a year ago. If there is no change in the rate of herd expansion in 1982, cattle slaughter and beef production will be about equal to that of 1981.

Demand for beef should increase during 1982. Hog producers indicate intentions to cut back on production, as do turkey producers, and broiler producers will probably moderate their rate of production increase. Real consumer incomes may or may not increase, but with continued inflation their current dollar incomes will rise. The combination of stable beef production, less competition from other meats, rising consumer incomes, and an expanding population should result in rising cattle prices during 1982.

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