



# WEEKLY OUTLOOK

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## CATTLE INVENTORY REMAINS STEADY

THE USDA MIDYEAR REPORT ON CATTLE INVENTORY reveals that the number of cattle on farms or in feedlots on July 1, 1983, was the same as it was a year ago. Last week's report estimated that there are about 123.5 million cattle and calves in the United States as compared with last year's total of 124.1 million. The decline of 600,000 head is 50 percent larger than that observed in the January inventory, but does not clearly signal that a genuine liquidation is occurring.

It is still possible, though, that a liquidation phase has begun. This is evidenced by a 1 percent decline in the number of beef cows to 38.5 million head and a 5 percent decline in the number of heifers that are being held for beef cow replacement to 5.8 million. If cow numbers are reduced significantly, as implied in these figures, the cattle inventory will be reduced further, ultimately causing a restriction in beef supplies in the long run.

During the next nine months, however, cattle supplies should be somewhat greater than 1982 levels, as the number of steers and nonreplacement heifers over 500 pounds is 3 percent greater than at the same time in 1982. An additional increase in slaughter could occur if the beef cow herd is reduced further.

In a separate report also released last week, the USDA estimated that there were about 1 percent more cattle on feed on July 1 as compared with last year's figure, but 1 percent less than the number recorded in April. The quarterly decline in feedlot cattle numbers to 9.067 million resulted from marketings and other disappearance; this totalled 5.972 million and exceeded placements by 86,000 head during April, May, and June.

The number of steers and heifers in the heavy weight categories is about 6.5 percent greater than last year, suggesting that beef production will remain well above that of last year for the next two to three months. After September, cattle slaughter should about equal last year's levels, but may vary in composition. The increases in beef cattle inventory over 500 pounds confirm that a high slaughter rate can be expected this fall. Still, there are 10 percent fewer light-weight steers and heifers in feedlots, according to the USDA *Cattle on Feed* report, suggesting that fed slaughter in the latter months of this year will be below that of the same period in 1982. This also means that nonfed

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slaughter will make up the difference. As a result, the average slaughter weight of cattle could decline slightly and beef production may fall by a percent or so as compared with last year.

The above projection regarding cattle slaughter composition could change, because a large number of cattle on pasture or PIK acreage are expected to move into feedlots in late summer or early fall. However, the relatively unfavorable relationship between current feeder cattle and corn prices and the December live cattle contract should be a disincentive for placing cattle into feedlots.

Cattle prices are not likely to change significantly from their present levels, simply because little variation is actually expected in cattle and beef supplies. The price of steers at Omaha is likely to remain in the area of \$60 to \$61 per hundredweight through September, then fall \$2 to \$3 per cwt. into the autumn months as a result of seasonal demand changes and low hog prices that will exert competitive pressure.



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