



WEEKLY OUTLOOK

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July 25, 1984

CATTLE ON FEED AND INVENTORY INDICATE REDUCED BEEF SUPPLIES

THE 13 STATES CATTLE ON FEED REPORT AND THE MID-YEAR CATTLE Inventory report indicate a reduction in beef production during the second half of 1984 and a continued erosion of the beef production base. This suggests a further reduction in 1984. The decreases are small and what the recent reports really do is underscore the remarkable stability that appears to have been achieved by the industry.

Cattle on feed in the 13 principal states totaled 8.7 million on July 1, down by 4 percent from a year ago and by 3 percent from two years ago. Placements on feed during the April-June quarter were down 5 percent from a year ago and 4 percent from two years ago. Marketing during April-June was up 2 percent from last year. Total cattle slaughter during April-June was up 5.6 percent from last year, and the total for the first half of this year was up 5.3 percent. The heavier cattle on feed--those that should be marketed during July-September--were down 2 percent, and the lighter weights--those for slaughter during October-December--were down 11 percent. These several things suggest that slaughter of fed cattle may start decreasing in relation to last year's slaughter and be sharply below last year during the October-December quarter.

The total cattle inventory on July 1 was 121,950,000, down 1.3 percent from a year ago and down 2.3 percent from July 1, 1981. Beef cow numbers were down 1 percent and beef replacement heifers were down 3 percent. Dairy cow numbers were down 2 percent. The decrease in dairy cow numbers was quite small, given the paid reduction program. A substantial part of the reduction in dairy cows was offset by a 1 percent increase in dairy replacement heifers. The 1984 calf crop is currently estimated at 43.4 million as compared with the 1983 crop of 44.1 million. The 1980 calf crop was 45.0 million. The record calf crop was 50.7 million in 1974. About 19 percent of the beef production base has been lost since July 1, 1975, and about 5 percent since July 1, 1981.

From the time that inventories of cattle were first taken (about 1900), there was a long-term increase in cattle numbers that extended to 1975. The number changed erratically and somewhat cyclically, but ever upward. In addition, the cattle feeding industry developed, which greatly increased the output of beef per

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animal and improved quality and consumer acceptability. We became a nation of beef eaters and the land of the hamburger. Expansion just prior to 1975 was too fast and a sharp three-year liquidation took place. A new "up" phase of the cattle cycle started in 1980 but lasted only two years. It appears now that the period of long-term growth has ended. How great the decrease will be is uncertain and depends on consumer demand for meat.

There is a forage supply that is greater than current beef cattle production and a more-than-adequate grain production base. Excess capacity in relation to market size strongly suggests low levels of profitability for both cow-calf operations and cattle feeding.

In the short run, the next six months, the decreased supply, smaller supplies of competing meat, and rapidly rising consumer incomes suggest the possibility of higher cattle prices.

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