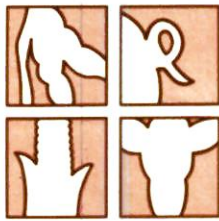




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

February 20, 1985

CATTLE INVENTORY SHOWS SHARP DECREASE

THE INVENTORY OF ALL CATTLE AND CALVES ON JANUARY 1 was 109.8 million head, down 3.4 percent from January 1, 1984. It was the third successive year-to-year decrease. The number of cattle on January 1 was down 17 percent from the peak reached on January 1, 1975. It was the smallest inventory since January 1, 1968. The liquidation was concentrated in the beef segment of the industry. The decrease had no geographic concentration and was spread over the entire country. Of the 35 states tabulated there were six increases: Arizona, Georgia, Indiana, Louisiana, New Mexico, and Wisconsin. The Illinois inventory was down 4 percent. There were 5 percent or greater decreases recorded in nine states, including such major producers as Iowa, Missouri, Montana, and Nebraska. The biggest cattle state, Texas, was down 2 percent.

The number of beef cows was down 5.6 percent and the number of beef replacement heifers was down 10.5 percent. In contrast, dairy cow numbers were down 2.6 percent and dairy replacement heifers were up 5 percent. The total dairy stock was little changed from a year earlier in spite of the dairy reduction program. It appears that the dairy cows that were liquidated by subsidies are being replaced.

The distribution of cattle by weights suggests that the supply of beef will peak early in 1985 and decrease as the year progresses. The number of heifers other than those kept for herd replacement was up 2.3 percent from a year ago, and the number of steers 500 pounds and over was just equal to year ago levels. In contrast, the number of animals under 500 pounds was down 4.2 percent. The 1984 calf crop was 42.5 million, down 3.2 percent from 43.9 million in 1983.

At an average calving rate, the January 1 cow herd will produce 41.5 million calves in 1985, which will be the smallest calf crop since 1961.

Had the inventory of cattle been held constant in 1984, beef production would have been about 2.2 billion pounds, 9.5 percent less than it actually was. Consumption of beef has been substantially higher than production as inventories of beef on the hoof are liquidated. This process must eventually come to an end and when it does, there will be a sharp decrease in beef availability.

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A key question is whether liquidation will continue in 1985. The reasons for liquidation during the past three years are not certain. Part of the liquidation has been the result of adverse weather in some range areas. Part has been the result of cow-calf operator losses for several years. And part has been due to the sale of cow herds on farms where they were minor enterprises. At this time we should not expect weather problems to cause liquidation in 1985. Cheaper feed has resulted in stronger feeder cattle prices, up about 10 percent from a year ago. The cash flow liquidation may be mostly over. We should expect less liquidation during 1985 and, perhaps, stabilization. If cattle numbers remain constant in 1985, beef production may be down as much as 8 percent.

Consumer demand for beef is uncertain. We don't know how consumers will react when confronted with a sharply reduced supply of beef. Supplies of other meat will be abundant, with pork production slightly below 1984 and broiler and turkey production up by 6 to 7 percent. In the past consumers have not substituted pork and poultry for beef except at sharply higher beef prices. The production of beef in 1979 decreased from 1978 by 11.4 percent, and the price of cattle increased by 29.3 percent. We should not expect a comparable increase in 1985. However, consumer reaction to a decreased beef supply may prove interesting.

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