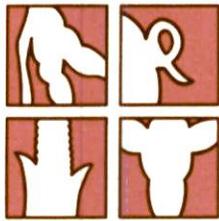




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

February 19, 1986

## CATTLE INVENTORY SHOWS SUPPLY TO REMAIN HIGH IN 1986

THE USDA CATTLE INVENTORY RELEASED FEBRUARY 10 shows 4 percent fewer cattle this year than last year and the smallest inventory since the 1960s. Both the thirteen-state *Cattle-on-Feed* report and the cattle inventory show a large proportion of heifers going to slaughter rather than herd replacement, however. This development means that slaughter levels will continue to be high for the next six months and that the supply of beef will fall slightly because fewer cattle are available. The supply of beef in the first half of 1986 will be 2 percent lower than in the first half of 1985. We have revised our price projections and now expect live cattle prices to be around \$60 per hundredweight during the first quarter of 1986 and around \$64 per hundredweight during the second quarter.

The cattle inventory shows a total of 105.5 million head of cattle in the United States on January 1, 1986. This number is down 4 percent from 1985, and 7 percent from 1984. The calf crop in 1985 was 41.0 million, down 3 percent from 1984. Herd liquidation seems to be continuing in spite of the small size of the inventory. Beef replacement heifers are down 7 percent, whereas "other" heifers that will be slaughtered are at the same level as last year. These figures accord with the large proportion of heifers placed as cattle on feed. This indicates that a high proportion of heifers and cows will be slaughtered this coming year.

The distribution of cattle by weight shows an unusually large proportion of the slaughter supply in heavy cattle. Total slaughter supply consists of steers over 500 pounds, other heifers over 500 pounds, and all calves under 500 pounds. On January 1 this supply totaled 48.5 million head, down 5 percent from last year. The reduction was due primarily to the smaller calf crop. Slaughter supply cattle over 500 pounds are normally around 45 percent of the total supply, but this year heavy cattle comprise 49.6 percent. This increase means that the slaughter will be slightly larger in the first half of the year. The distribution of cattle in the inventory accords with the large proportion of heavy cattle reported on feed.

Weekly slaughter totals are declining from their very high levels in early January, whereas dressed weights seem to have stabilized around 644 pounds. The decline in weights from the very high levels in 1985 will help reduce the supply

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of beef. Current projections of beef production are 5.8 billion pounds for the first quarter of 1986 and 5.6 billion pounds for the second quarter. Prices are projected to average \$60 per hundredweight of live animal during the first quarter, and to rise to \$64 per hundredweight in the second quarter.

Beef supply and prices will change drastically when the liquidation of the breeding herd stops. The small number of cattle remaining in the inventory means that the supply will be very tight whenever the slaughter rate for cows and heifers drops. Producers should watch outlook bulletins closely for indications of the turnaround in liquidation of heifers. The next *Cattle-on-Feed* report will be released on April 28. Meanwhile, the implications of the price outlook for marketing strategies remain unchanged from those in the January 29 "Weekly Outlook."

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