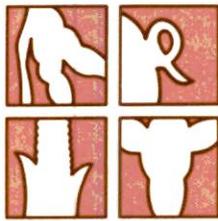




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

July 30, 1986

CATTLE HERD LIQUIDATION--WHEN WILL IT END?

THE CATTLE INVENTORY NUMBERS that were released by USDA on July 25 show continued liquidation of beef cows and thus a further decrease in beef production capacity. Herd reduction has been a factor in the high level of beef production in recent years. We will therefore see a sharp reduction in beef supply when the cattle population stabilizes, as it inevitably must. Exactly when the beef supply will drop is uncertain, and the subsequent strength in cattle prices will depend on how reluctant consumers are to give up part of the abundant supply of beef to which they have become accustomed. Highly volatile cattle prices lie ahead.

The inventory of all cattle and calves on July 1, 1986, was 112.2 million, down 3.5 percent from 116.3 million on July 1, 1985. The 3.5 percent decrease from last July 1 was smaller than the 4.6 percent decrease from July 1, 1984, to July 1, 1985. There has been a 10.1 percent decrease since July 1, 1981.

At 34.15 million, the number of beef cows is down 3.1 percent from a year ago, compared with a decrease of 7.5 percent during the preceding year. At 4.8 million, the number of beef replacement heifers was down 2.0 percent, compared with a decrease of 12.5 percent from July 1, 1984, to July 1, 1985. The rate of herd liquidation has slowed.

Liquidation has resulted in smaller supplies being available to move into feed yards. Heifers, other than those kept for herd replacement, and steers 500 pounds and over totaled 23.3 million, compared with 24.2 million a year ago. This is the supply immediately available for feed yards. All steers and heifers under 500 pounds totaled 32.2 million, down 4.2 million from a year ago and down 12.1 percent from July 1, 1982. At 40.1 million, the prospective 1986 calf crop is down 2.3 percent from last year and 10.5 percent from 1981.

The Cattle on Feed report, covering the thirteen principal feeding states and also issued July 25, shows the effect of reduction in herd size. The number on feed totaled 7.95 million, down 8.2 percent from a year ago and down 12.3 percent from July 1, 1983. Placements on feed during the first half of 1986 were 10,441,000, down less than one percent from the first half of 1985, but down 4.5 percent from the first half of 1983. Marketings from feed yards during the second

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.

quarter of 1986 were just equal to a year ago, but intentions to market during the third quarter are down 5.2 percent.

The production of beef during the first half of 1986 was approximately 11.7 billion pounds, compared with 11.6 billion the first half of 1985, 11.5 billion the first half of 1984, and 11.1 billion the first half of 1983. The high level of beef production during the past three years has been possible only by the liquidation of 11.3 percent of the beef cow herd. The underlying production capacity in 1983 was about 22.6 billion pounds of beef per year. It is now about 20.5 billion. Production during the past year has been about 23.5 billion.

Consumers face a cut of about 12 percent in beef supplies. This cut will probably start in the near future, perhaps in the fourth quarter of 1986. How vigorously consumers will resist reductions by bidding prices up is uncertain. The extent to which they can turn to pork is limited by the small, spring 1986 pig crop. Broiler and turkey production is larger than last year, but not by as much as the prospective decrease in the beef supply. When cattle prices go up depends on when the supply decreases; how high they go depends on consumer reaction to rising prices. Hog prices have increased dramatically as the result of a moderate decrease in pork supply. Will the cattle price be comparable?

Written by T.A. Hieronymus, Professor Emeritus, Agricultural Economics

Darrel Good

Issued by *Darrel L. Good*, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, \$300

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 105

