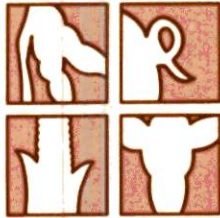




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

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February 14, 1987

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## CATTLE INVENTORY LARGER THAN EXPECTED

The USDA released the January 1, 1987 inventory of cattle on February 4. The total number of cattle, 102.0 million head, was down 3 percent compared with last year. The 1986 calf crop of 41.2 million was about equal to last year. These numbers were larger than expected and cattle futures prices have declined following the report. A closer look at the numbers, however, reveals that the slaughter supply (steers, calves, and heifers not going into replacement) is down 5 percent. Cattle slaughter and beef production should decline about 5 percent in 1987 compared with 1986, even if the proportion of the supply slaughtered continues to be abnormally high. The big question is whether or not slaughter rates will continue at high levels. If they continue, our beef production estimate leads to an annual price projection of \$60 per hundredweight for live cattle in 1987. Should the proportion slaughtered decline to normal levels, the 1987 average cattle price would be \$65.

The *Cattle Report* showed that herd liquidation is slowing. The number of beef cows was up 1 percent and beef replacement heifers were equal to last year. This indicates that cow-calf producers may be starting to rebuild herds. Dairy cows were down 6 percent following last year's buy-out program. Milk replacement heifers were down 9 percent, indicating that the dairy industry will not rebuild production capacity soon.

Total supply available for slaughter was down 5 percent, more than the reduction in total inventory. The number of "other" heifers not going into replacement was down 7 percent. Steers over 500 pounds were down 4 percent and calves under 500 pounds were down 6 percent. Total slaughter supply of steers and heifers for 1987 is 45.9 million head, down 2.6 million from 1986.

Beef supply has increased during the last three years even though slaughter supply has been declining. 1986 is the third year in a row when beef supply failed to drop as projected. Total slaughter in 1986 was 37.3 million head, up 3 percent from 1985. The total beef supply in 1986 of 24.2 billion pounds was also up 3 percent. The unusually large proportion of cows slaughtered due to the dairy herd buy-out program was not the only cause of increased supply. An unusually large proportion of steers and heifers also went to slaughter.

From 1976 to 1985, 52 to 55 percent of the January 1 steer and heifer slaughter supply was slaughtered. In 1986 the proportion jumped to 59 percent. Weekly slaughter during January 1987 has continued at very high levels. It is difficult to know whether or not the high rate of slaughter will continue. If it does, then total 1987 slaughter is estimated at 35.4 million head, down 5 percent from 1986. If slaughter rates decline to normal levels, then 1987 slaughter would be down 10 percent.

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Our high and low estimates of supply give somewhat different price projections. If the supply is large, then the 1987 average live cattle price will be \$60 per hundredweight. If the supply is small, then the 1987 price will average \$65. In either case, prices will increase in the spring and summer, and decline in the fall. Futures prices currently do not differ much from the low price projections and therefore do not provide good pricing opportunities. Beef producers can take some comfort from the fact that both 1987 supply estimates give live cattle price projections which are above the 1986 average of \$58 per hundredweight.

*Laurian J. Unnevehr*

Issued by

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