



Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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CATTLE INVENTORY DOWN

The USDA released the *Cattle* inventory on February 5. On January 1, 1988, the total number of cattle and calves in the U.S. was down 2 percent from 1987, and the 1987 calf crop was down 3 percent. The number of cows and replacement heifers indicates a stable breeding herd, so the past six years of herd liquidation have come to an end. The total number of animals available for slaughter in 1988 is down 3 percent from 1987, indicating that beef production will continue to decline this year. The number of heavy steers and heifers available for slaughter is large relative to the number of calves. This means that slaughter will be larger in the first half of 1988 than in the second half. Cattle prices should continue in the \$65-70 range during the first half of this year, and may go higher in the second half. Cattle futures prices are expected to rise in response to this report, but will not provide good hedging opportunities for the summer months until they exceed \$72.

There was a total of almost 99 million head of cattle and calves in the U.S. on January 1, 1988, down 3 percent from 1987. The 1987 calf crop of 40 million head was also down 3 percent from 1986. The breeding herd was down only 2 percent, and beef replacement heifers were just equal to last year. These numbers indicate that the liquidation of the breeding herd that started in 1982 has finally stopped. Furthermore, cow slaughter in 1987 was the smallest percentage of cow inventory since 1982. Better profits for cow/calf producers in 1987 have apparently stopped liquidation.

Steers over 500 pounds and "other" (not for cow herd replacement) heifers over 500 pounds were up 2 to 3 percent from last year. These animals represent potential slaughter supply for the first half of 1988. Calves under 500 pounds, which are potential slaughter supply for the second half of 1988, were down 10 percent. If the inventory is correct, beef supply will be about equal to last year during the first half of 1988 and then fall sharply by 8 percent during the second half of 1988. The current large numbers of cattle on feed also indicate a large supply during the beginning of 1988, but it is likely that slaughter will be distributed more evenly through 1988 than the inventory indicates. Total annual beef supply in 1988 will be down at least 3 percent from 1987, and could be down more if the proportion of the inventory going to slaughter declines from recent record levels.

During 1987 a total of 35.6 million cattle were slaughtered, down 4 percent from 1986. Beef supply of 23.4 billion pounds was down only 3 percent, because slaughter weights set new record highs during the end of 1987. Dressed weight per animal averaged 657 pounds in 1987, up from an average of 649 pounds in 1988. These higher dressed weights reflect the large proportion of fed cattle in total slaughter.

Cattle prices averaged \$66 in 1987, a substantial increase from the 1986 average of \$58. The price recovery was due to the decline in beef supply and greater willingness by consumers to pay for beef. If demand continues to be robust in 1988, then cattle prices will continue in the \$65 to \$70 range during the first half of the year and may go even higher during the second half. Cattle futures prices for distant months continue to be low in relation to strong cash prices. Futures prices are expected to increase in response to the inventory report, but will not offer good pricing opportunities until they exceed \$72.



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