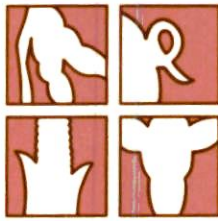




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

August 2, 1989

## **CATTLE INVENTORY STABILIZES FOR FIRST TIME IN EIGHT YEARS**

The USDA released the July 1 *Cattle* inventory report on July 28. The total inventory of 108.6 million head is up only slightly from mid-1988, and the calf crop of 40.7 million is down slightly. This increase in inventory stops an eight-year trend of declining cattle numbers. As a result of cow herd increase, the total supply of animals available for slaughter in the second half of 1989 is down 1 percent. Beef supply in the last six months of 1989 is projected to be down 1 percent. This reduction in supply is close to that predicted by the January 1 inventory. The July inventory confirms the continued slow decline in supply that is taking place as heifers are held back to rebuild herds. Live cattle prices should average \$72 during this summer quarter, and increase to around \$75 during the fall.

The *Cattle* inventory showed a total of 108.6 million head in the United States on July 1, a very slight increase from last year's total of 108.5 million. This ends an eight-year trend of declining cattle inventory.

The 44.3 million beef and dairy cows are just about equal to last year's total. However, the projected 1989 calf crop of 40.7 million is down slightly from last year's crop of 40.9 million. Although the cow herd has stabilized, it has not yet produced a larger supply of calves.

Heifers being held back from slaughter for beef cow replacement are up 4 percent, indicating substantial herd rebuilding is under way. As a result, heifers going to slaughter are down 1 percent. The total supply of heifers and steers available for slaughter is down by almost 1 percent.

The available animals for slaughter is an indicator of what the slaughter and beef supply will be in the last half of 1989. Slaughter is projected to be down 2 percent from last year, but beef supply will be down only 1 percent if slaughter weights continue to be greater than last year.

Beef supply was down 3 percent during the first quarter of 1989 and just equal to the previous year during the second quarter. Cattle prices averaged \$76 per hundredweight for live steers at Omaha during the first quarter, and fell slightly to \$75 during the second quarter. These prices are about \$10 higher than those predicted by demand patterns of the early 1980s. It appears that consumers are willing to pay high prices to defend a certain level of beef consumption. As beef supply declines, prices have increased sharply during the last two years. If this pattern of demand

continues, then cattle prices should be in the low \$70s during this summer and in the mid \$70s during this fall.

The July inventory report basically confirmed the continued slow decline in beef supply projected by the January inventory and the recent *Cattle on Feed* report. Futures prices did not react very strongly to the report and are close to our price projections. Live cattle futures for the summer and fall offer reasonable but not outstanding pricing opportunities.

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