



# WEEKLY OUTLOOK

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## **BEEF COW HERD GROWS MODESTLY**

The mid-year *Cattle Inventory* report released on July 27 showed total cattle and calf numbers at 108.9 million head, unchanged from last year's inventory. The nation's beef producers have only modestly expanded the breeding herd. The current number of beef cows stands at 34.3 million head, up fractionally from last year. Since 1987, which was the low point of beef cow numbers, the herd has expanded less than 1 percent, exhibiting a very slow expansionary phase of the cattle cycle. The number of beef heifers being retained for cow replacements is up 4 percent, suggesting that producers may be ready for a larger expansion of the cow herd in the coming year.

The number of milk cows, at 10.1 million head, is also unchanged from last year. Stable numbers are contrary to the long-run decline in dairy cow numbers. High milk prices and moderate feed costs prevented milk producers from liquidating as many cows over the past year. Dairy replacement heifers totaled 4.3 million head on July 1, 1990, down 4 percent from last year. The lower replacement number is an indication that dairy cow numbers will likely resume their long-term down trend next year.

The 1990 calf crop is estimated at 40 million head. This is unchanged from the size of the 1989 calf crop and is consistent with the unchanged beef and dairy cow numbers.

Feeder cattle supplies at mid-year appear to be about 2.3 percent above year-ago levels. The number of steers weighing 500 pounds and over which were outside of feedlots on July 1 was estimated to be about 1.2 percent greater than on July 1 last year. The number of heifers weighing 500 pounds and over were up about 4.7 percent from a year ago. These numbers suggested that heifers did not move into feedlots as quickly as steers in the first half of 1990. The availability of heifers in coming months will be relatively larger than steers.

The number of calves weighing less than 500 pounds was unchanged from last year. While feeder cattle supplies will be somewhat greater this fall than last fall, the calf supply will be about the same as last year.

This report does not change the overall case for high fed cattle prices. With the breeding herd continuing to show a modest increase, there is not much concern for a sudden rise in beef supplies. While the beef heifer replacement number is a concern for rising beef supplies in 1992, that date is beyond the time reflected in the current futures market. In addition, it is possible that many of the beef heifers being retained may not add to the cow herd for at least two reasons. First, the average age of the current beef cow herd is thought to be high. A higher than average rate of replacement of the older cows may be in producer's minds. Secondly, those retaining the heifers may change their minds and move them in to feedlots before they are bred. One year ago, for example, beef heifer retention was also up 4 percent, a number which did not result in expansion of the cow herd.

The larger feeder cattle supplies provide a somewhat negative tone for feeder cattle prices. However, fed cattle prices and feed prices will also be important in the determination of feeder prices. Further strength in fed cattle prices and lower feed prices would provide further strengthening in feeder prices this fall, with prices exceeding last year's levels. Calf prices are also expected to be higher this fall than last year.

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