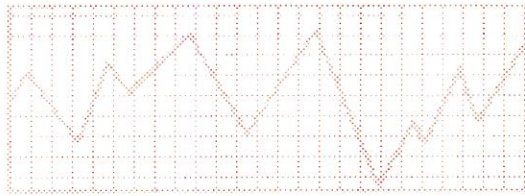




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WEEKLY OUTLOOK

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BEEF SUPPLIES WILL RISE AS COW HERD EXPANDS

The beef industry can expect moderately increasing supplies of beef over the next two years according to recent USDA reports. The number of cattle marketed from feed lots is expected to rise by about 3 percent this summer, and supplies for this fall are also expected to be somewhat larger. Producers have also increased the number of beef cows by about 2.5 percent, according to the reports. This is an indication of a slight acceleration in the rate of expansion of the herd, and likely means that cattle prices in 1994 will move below those of 1993.

In the mid-year *Cattle Inventory* report, the total number of cattle and calves on the nation's farms and ranches was estimated at nearly 111 million head, which was up 1.3 percent from last year at this time. Beef cow numbers have been increasing at a rate of about 1 percent per year since 1989, but were up 2.5 percent in this report. The 1 percent growth rate was just about equal to the growth in population and exports, so the number of pounds of beef available per person in this country had been remaining nearly steady, around 66 pounds per person per year on a retail weight basis. Now with a higher rate of growth in beef cows, per capita supplies can be expected to increase about 2.5 percent in 1994 and 1995.

The estimated calf crop for 1993 was reported at about 40 million head, which would be up nearly 2 percent from the 1992 calf crop. The number of calves born in the first half of the year, however, was up less than 1 percent. This implies that the USDA expects most of the increased calf crop for the year to be born in the second half. In fact, the second half calf crop is expected to be up over 5 percent. These numbers mean that calf supplies this fall will be only slightly higher than last fall's supplies. However, supplies in late winter and in the spring of 1994 can be expected to be larger, reflecting the increase in the second half calf crop.

While the longer-term prospects for cattle prices have been dimmed somewhat by this report, keep in mind that beef supplies will remain low by historical standards. During the peak production of the last production cycle in the mid-1980s, the available supplies of beef per person were in the upper 70 pound range. In 1994, this may expand to the 67 to 68 pound range, and be somewhat higher yet in the 1995-96 period. Price levels for brood cow operators are not expected to be driven down to loss levels in the next two years.

The number of cattle in feedlots on July 1 was up about 7 percent over the same time last year. Placements into feedlots in the second quarter were unchanged from the same quarter last year, but were variable by region. Placements in the southern plains were sharply higher, with Oklahoma increasing second quarter placements by 19 percent, and Texas increasing by 17 percent. In the midwest, which is more dominated by farmer feedlots, placements were down sharply, with Iowa

farmers placing 18 percent fewer cattle, and Illinois placing 32 percent fewer cattle. Placements in these areas were likely affected by the excess water this past spring, and by the uncertainty of 1993 crop production and prices created by wet weather.

Supplies of finished cattle coming from feedlots in the summer and fall should be higher than last year. The number of steers and heifers in the 900 to 1,099 pound range on July 1 were up 3 percent, and the number of cattle on feed in the 700 to 899 pound range were up nearly 12 percent. Feedlot managers indicate they anticipate marketing about 3 percent more cattle in the July to September quarter.

The impact on prices of these reports can be expected to be slightly bearish. Total beef supplies are expected to be up 2 to 3 percent in the last half of the year. Weights will continue to be a critical factor influencing cattle prices. To date, feedlot managers have not held cattle back in an attempt to wait for higher prices. It will be important for the industry to continue to remain current in marketings to avoid the over-weight cattle problem which occurred in late summer of 1991.

Finished cattle prices are expected to reach their summer lows in the low \$70s, and strengthen seasonally into the fall. Prices for choice steers at plains locations are expected to average near \$73 in the summer quarter and move up to a \$74 average for the last quarter of 1993. Highest prices late in the year may reach the mid-to-higher \$70s. For 1994, prices can be expected to be under the record setting prices of early 1993, but may be able to reach near the \$80 mark for seasonal highs once again early next spring.

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