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WEEKLY OUTLOOK

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Beef Cow Numbers Continue to Rise

The January 1995 *Cattle* inventory report from the USDA indicates that the number of beef cows increased sharply in 1994. The 4 percent increase in brood cow numbers was greater than was anticipated by the market, given the sharp decrease in calf prices which occurred in 1994. As an example, feeder steers at Oklahoma City dropped about $9 per hundredweight in 1994 from their 1993 levels. That is over a 10 percent decline.

The continued expansion in beef cow numbers represents a 9 percent increase since this expansion period began in 1989. From 1989 to 1993, the nation's beef cow herd expanded slowly, as it was up only 2 percent. However, the expansion has been much more robust in the past two years, totaling about 7 percent. The calf crop for 1994 is now estimated by USDA to be up about 3 percent from the 1993 crop. In the last inventory report (July 1994), the calf crop was estimated to be up only 2 percent. The added numbers of calves will likely mean somewhat lower prices for both calves and feeder cattle in 1995 than had been anticipated.

Dairy cow numbers were unchanged in the latest inventory estimate. Most analyst had expected some decline in these numbers. Beef replacement heifers were up only 2 percent. This is a relatively low number, and may indicate that further expansion of the beef and dairy herd is not planned. If beef cow expansion does slow this year, it would appear that 1996 may be the year of maximum beef production for the current cattle cycle.

Feedlot managers have also been more aggressive in placing cattle into feedlots. The January 13 state *Cattle on Feed* report showed that placements in the last quarter of 1994 were up slightly from year-ago levels. However, most of this increase apparently came in December, when the 7 state report showed a 6 percent increase. With the sharp recovery in finished cattle prices late last year, feedlot managers will apparently be more aggressive in placing cattle. This means that finished cattle prices will decline more sharply in the late spring of 1995.

The January 1, number of cattle on feed was still down 5 percent from last year in the 13 major cattle feeding states. Marketings during the last quarter of 1994 were up 5 percent, indicating that feedlots are likely current in their marketings.

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The number of cattle on feed in the country continues to be mostly in the large commercial feedlots, rather than in farmer feedlots. On January 1, the USDA estimated that about 85 percent of the cattle on feed were in feedlots of 1,000 head or more. Only 15 percent remained in what are generally considered to be farmer feedlots of less than 1,000 head of capacity.

Beef production in 1995 is expected to be up about 2 percent over the level of 1994. However, with continued population growth, per capita supplies will be up only about 1 percent. There will be abundant competition for beef this year, as pork production is expected to be up about 1.5 percent, broiler production up 6 percent, and turkey production also up about 6 percent. Beef prices, however, will be supported by continued growth in the economy during 1995.

Beef supplies in the first quarter of 1995 may be up about 4 percent, but in the last half of the year, supplies are expected to be about unchanged. After averaging about $69 in 1994, choice steers in the Plains are expected to average $1 less in 1995.

Prices of finished cattle in the mid-$70s have been a pleasant surprise to many cattle feeders. Prices at these levels are expected to remain into late March or early April. The spring slide in prices will likely pressure prices back into the higher $60s with late summer lows in the mid $60s.

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