Cooperative Extension Service

WEEKLY OUTLOOK

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CATTLE INVENTORY RESPONDS TO BLEAK 1996

The cattle industry had a year of bad news and tough luck in 1996, and the latest *Cattle Inventory* report from USDA reflects the response to the brutal punishment. Inventory numbers were down in almost every category. Producers sold cattle as a result of low cattle prices, high feed prices, drought, and general discouragement. The reductions were in line with market expectations and suggest that beef supplies will edge slightly lower in 1997.

Total inventory of cattle and calves on January 1 was down 2 percent, with similar declines in beef cow numbers, milk cow numbers, and the size of the 1996 calf crop. Beef cow numbers were down most sharply throughout the southern U.S. In Texas, the drought of 1995-96 forced herd liquidation and beef cow numbers dropped by 440,000 head, or 7 percent. Numbers were also down sharply in New Mexico and Arizona due to dry conditions. Numbers in the southern states of Tennessee, Mississippi, and Alabama were also down in the 6 to 8 percent range. In the midwest, beef cow numbers were fairly stable, with Iowa and Missouri numbers down only 2 percent; Illinois and Wisconsin were unchanged; and Michigan and Indiana were up about 3 percent.

Surprising to many, the geographic location of the nation's beef cows has changed little over the past two decades. The midwest has declined a small amount, from 15.5 percent of the beef cows to 14.3 percent today. This has resulted in small gains for the southeast, the northern plains, and the west. Beef cows are still best adapted as grazing animals, and thus are extensive users of forage land. As such they are widely dispersed around the country in locations where land tends to favor grazing.

Cow slaughter remained high through 1996 and is expected to continue at a high rate in 1997. Beef and dairy replacement heifers remain down 2 percent from year-earlier levels, indicating the likely continuation of a declining cow herd into the mid-1997 inventory report. While the high rate of cow slaughter means that longer-term beef supplies will decline. For 1997, cow slaughter will keep beef supplies only modestly lower than last year.

The calf crop for 1996 was estimated to be down about 2 percent, however, the number of calves under 500 pounds were down 4 percent. This smaller portion of lighter weight calves suggests that the calf crop was dropping more sharply by the end of 1996 than in the earlier part of the year. Calf crop data seems to confirm this as the birth's in the first-half of 1996 were down only 1 percent, but were down 3 percent during the last-half of the year.

The industry can continue to expect relatively heavy supplies of beef for the first-half of 1997, with some easing in supplies by summer and fall. While the number of steers weighing over 500 pounds was down 2 percent, the number of heifers over 500 pounds was actually somewhat higher than last year. Many of these will be in the market during the first 4 months of 1997, and in combination with the large cow slaughter will keep supplies at levels near those in the first-half of 1996.

Historical cattle cycles suggest that the beef cow herd could be moving lower for the next several years. During the last downturn, cow numbers were in decline from 1983 to 1986, or over a four year period. It is likely that beef cow numbers will continue to decline for several years during this reduction phase also. If so, beef supplies will once again be near their lowest level around the turn of the century.

Prices for choice steers on the Plains are expected to remain in the mid-$60 for much of the first-half of the year. More encouraging prices could be evident by May as the industry works through the heavy supplies of feedlot cattle in the first four months of the year.

Prices could once again move counter-seasonally higher from spring into late 1997. Summer prices are expected to approach the $70 mark, and fall prices should trade in the lower $70's. Feeder cattle and calf prices are also expected to improve as the year progresses, with prices $5 to $7 higher at the end of the year than at the beginning.

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