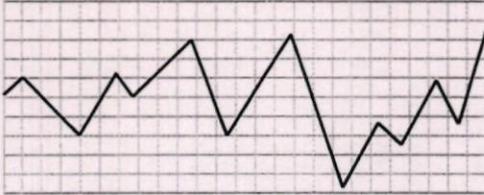




UNIVERSITY OF ILLINOIS
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WEEKLY OUTLOOK



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FEBRUARY 1, 1999

CATTLE INVENTORY DECLINE MEANS LESS BEEF IN 1999

The USDA *Cattle Inventory* shows that the size of the beef and dairy herds declined about 1 percent in 1998. With smaller supplies of fed cattle, as well as smaller cow and bull slaughter, beef supplies will be down about 4 percent in 1999. The larger drops in supply will come in the last-half of the year, while moderately smaller beef supplies will compete with burdensome pork supplies in the first-half of the year. Cattle prices should increase as 1999 progresses.

As of January 1, the number of beef cows was at 42.6 million, a reduction of 1 percent from last year and 5 percent lower than in 1996 when beef cow numbers reached the most recent peak. The number of milk cows dropped to 9.1 million head, a decline of 1 percent for 1998.

Indications are that the beef herd will continue to drop throughout 1999, but that the dairy herd could stabilize or even increase. The number of beef heifers being retained to go back into the breeding herd was down 4 percent. This means that the beef cow herd will continue to decline, at least until the inventory report in 2000. Beef supplies should continue to drop through the year 2001. The decline in cow numbers is related to the disappointing earnings for brood cow operations in 1998 and to the Southwest drought last year.

The number of dairy replacement heifers was up 2 percent, indicating a rapid expansion of the dairy herd. Milk producers appear to be responding quickly to record high milk prices. This trend will be supportive to beef prices as heifers find their way back into milk production and not into slaughter supplies.

The beef cow industry continues to become more concentrated in the Great Plains. In 1998, the total number of beef cows dropped by about 400,000 head. Declines were as follows: Mountain and Western States down 200,000; South and Southeast down 200,000; Eastern Corn Belt down 70,000; and the Western Corn Belt unchanged. The number of beef cows increased by about 75,000 in the Great Plains. The largest increases were in the Dakotas, Kansas, and Texas. Oklahoma, apparently feeling the effects of the 1998 drought, had a decrease of 100,000 cows. The Texas beef herd actually increased by 20,000 cows, a surprising result given the reports of widespread herd liquidation during last summer's drought.

Beef supplies should decline in 1999. Calves weighing over 500 pounds will supply the bulk of fed cattle for the first-half of the year. The number of steers weighing over 500 pounds was down 2 percent, and non-replacement heifers weighing over 500 pounds were down 1 percent. This smaller

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fed supply will be coupled with a decline in cow and bull slaughter. Beef supplies should decline by 2 to 3 percent in the first-half of the year. Per capita beef supplies will drop 3 to 4 percent.

Beef supplies for the last-half of 1999 will come from the calves weighing under 500 pounds on January 1. Those numbers were down 1 percent. Assuming that the cow and bull slaughter will slow in the last-half of 1999, beef supplies are expected to be down in the range of 4 to 6 percent. The slowing of cow and bull slaughter is related to the high rates of slaughter during last summer's drought and to the slowing of herd liquidation as beef prices begin to recover. Per capita beef supplies in the last-half of the year will be down 5 to 7 percent.

Prices of fed cattle and feeder cattle should increase through the year. Huge pork supplies will provide difficult competition in the first-half, but easing of both pork and beef supplies in the second-half will provide the basis for higher prices. Fed cattle prices on the Plains are expected to average in the lower \$60s in the first quarter and in the mid \$60s in the second quarter. Summer prices should be able to hold the mid \$60 level with some possibility of prices in the higher \$60s at times. Finally, the last quarter of the year is expected to find prices trading in the higher \$60s with movement into the lower \$70s possible for the late winter of 2000.

Calf prices are also expected to move higher through the year. The price of southern Illinois and Indiana steer calves weighing 500 to 550 pounds averaged in the mid-to-higher \$70s in the last-quarter of 1998. These prices are expected to move up to the lower \$80s this spring, and could reach the mid-to-higher \$80s by the fall.

The rising prices anticipated for 1999 mean that producers should continue to maintain ownership of cattle. For brood cow operations, this means consideration of adding more weight to calves on-hand, to retained ownership, and to maintaining the number of cows in the herd. For feedlots, this means keeping lots full of feeder cattle and considering delaying the pricing of the finished cattle.



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