



UNIVERSITY OF ILLINOIS  
EXTENSION



A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

# WEEKLY OUTLOOK

**JULY 19, 1999**

## **BROOD COWS BRING ELUSIVE FARM PROFITS**

In a year of so much farm financial concern, brood cow herds will show nice profits. The USDA's mid-year *Cattle Inventory* report shows that the number of cattle in the nation's herd continues to edge lower. At 106.8 million head, the total inventory is down 1 percent from last year and 2 percent from two years ago.

The declining population has been led by another drop in the beef cow herd. At 34 million head, the herd is down 1 percent from last July. The beef cow herd reached a cycle peak in 1995 and has declined 6 percent since that time. The continued decline has been stimulated by poor returns and discouragement among cattle producers. For the future, it looks like additional reductions in the breeding herd are planned as the number of beef heifers being retained for replacements in herds is down 4 percent. Inventories are not sufficient to keep cow numbers at steady levels.

Dairy cow numbers also declined about 1 percent. Record high milk prices in the fall of 1998, however, stimulated more heifers to be retained for addition to the milk cow herd. Those numbers are up 3 percent and will likely lead to an increase in the number of milk cows by 2000.

Slaughter supplies of steers and heifers will be little changed in the last-half of 1999 compared with the same period in 1998. The number of heifers which are not being retained for herd replacement is unchanged from last year and the number of steers is down only 1 percent.

Steer and heifer supplies for 2000 will be down only modestly as the current number of calves weighing under 500 pounds is unchanged from last year. The expected 1999 calf crop is down a little less than 1 percent. Interestingly, the 1999 calf crop is expected to be the smallest since 1952. Of course, the period from the 1950's to the mid-1970s saw cattle numbers increasing dramatically. Per capita beef consumption reached a peak of 94 pounds in 1976. In the year 2000, consumption per capita is projected to drop to about 65 pounds. While the U.S. population has increased, cattle marketing weights have also increased, reducing the number of cattle required.

One of the major questions regarding slaughter supplies will be the number of cows that are sent to market. With expectations of higher cattle prices in the year ahead, a lower rate of cow liquidation can be anticipated. Slower liquidation will help to further reduce slaughter supplies.

The number of cattle on-feed on July 1 stood at 9.6 million head, up 4 percent from last year. June placements were up 14 percent and marketings in June were up 5 percent. Cheap feed and prospects for higher fed cattle prices have stimulated the movement of cattle into feedlots this

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

University of Illinois Extension and Purdue University Cooperative Extension Service provide equal opportunities in programs and employment.



spring and summer. Not only are more cattle going on-feed, but they are moving to feedlots at a younger age. As an example, the number of calves weighing under 600 pounds placed in June were up 12 percent.

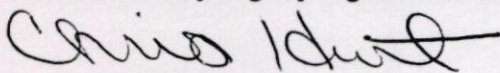
There has been much anticipation that beef supplies would be declining in the last-half of 1999 and in 2000. A drop in supplies will depend on two important factors. First, as already mentioned, a decline in the rate of cow slaughter. This now appears more likely due to increase in the fed cattle prices, but especially because of higher calf prices. Higher calf prices have been stimulated more by cheap feed than by higher fed cattle prices. In addition, pasture conditions have been more favorable this summer, helping to keep forced liquidations lower. Cattle weights, however, will be higher in the coming year as a result of low priced feed. So far in 1999, cattle weights have been up 1.2 percent over the same period in 1998. Next year, a 1 percent to 2 percent decline in slaughter will largely be offset by a similar increase in weights. This means that beef supplies will be down only modestly.

Modest reductions in beef supplies can still help prices since population growth will be a positive demand factor. However, record total supplies of meat in 1999 and 2000 will keep competitive pressure on beef. Total meat and poultry supplies are expected to reach 217 pounds per person this year and, with cheap feed, may increase in 2000.

Prices of calves are expected to remain strong this fall. With a small reduction in the number of calves and strong demand due to low feed prices, 400 to 500 pound steer calf prices in the eastern corn belt are expected to average in the very high \$80s and \$90s this fall. That would be up sharply from prices in the \$70s a year-ago.

Fed cattle prices may still weaken modestly by the end of summer, but improvement is expected for the fall, with prices moving back into the \$66 to \$68 range. Some further strength can be expected in the winter with prices in the high \$60s. Spring highs could reach slightly above \$70s.

Brood cow operations will show strong returns for their 1999 calves due to higher calf prices and low grain prices. Returns to cattle feeding look more marginal with high calf prices, higher interest rates, and only slightly higher fed cattle prices.



Issued by Chris Hurt  
Extension Economist  
Purdue University

First Class  
U.S. Postage Paid  
Permit #75  
Champaign, IL

U of I Extension Newsletter Service  
University of Illinois  
at Urbana-Champaign  
528 Bever Hall, MC-184  
905 S. Goodwin Ave.  
Urbana IL 61801  
Return Service Requested