



WEEKLY OUTLOOK

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MODEST CATTLE LIQUIDATION OCCURRING

THE CATTLE INVENTORY REPORT, RELEASED LAST FRIDAY, showed that the number of cattle on farms is essentially unchanged from a year ago. Their report is based on a survey by USDA enumerators that counted 115.2 million head of cattle on farms as of January 1, compared to 115.6 million a year ago. Most significant are the substantial increases in the numbers of steers and nonreplacement heifers weighing over 500 pounds. The number of steers and heifers rose 4.7 percent and 10.8 percent, respectively. This should lead to an increase of beef production in 1983, which, in turn, should lead to the elimination of hoped for price strength for cattle.

Although the total cattle inventory changed only slightly, its composition changed substantially. The number of cows on farms declined by almost 1.2 million head. In fact, the number of beef cows dropped by over 1.2 million head, while the number of dairy cows increased by about 54,000. Clearly, the relatively weak cattle prices of 1982 and their expected lack of strength in 1983 have led many farmers to liquidate their beef cattle breeding herds. The move to reduce the number of beef cows may continue in 1983 because the number of heifers held for replacement in the beef cow herd has dropped by almost 300,000 head, or just over 4 percent. The decline in these replacements represents about 1/3 of the 773,000-head increase in nonreplacement heifers weighing over 500 pounds. This figure, together with the 728,000-head increase in the number of steers over 500 pounds represents a potential increase in slaughter of 1.5 million head over a year ago. If liquidation of the beef cow herd continues in 1983, there is a possibility that even more cattle could be slaughtered.

The slaughter of these additional cattle in 1983 represents a 3.8 percent increase over 1982. Assuming the average dressed weight for these cattle remains the same, a similar increase in beef production will also be observed. The increase in production will, of course, have a potentially depressing effect on cattle prices. In addition, the two to three percent increase in broiler production expected in 1983 may also depress cattle prices. However, these factors could be

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offset by a general decline in pork production in 1983 as well as an expected increase in consumer income. Overall, cattle prices may have little reason to move substantially in either direction during most of 1983, except as they are influenced by seasonal factors.

Once the heavier weight cattle are marketed, it is not entirely clear whether substantial cuts in cattle or beef supplies will be forthcoming. The number of heifers, steers, and bulls under 500 pounds fell by just 1.6 percent to 28.4 million. The calf crop fell an unexpectedly small 0.8 percent to 44.4 million. Unless a large number of heifers are held back as replacements in the cow herd, beef supplies in late 1983 and 1984 may decline slightly from current levels. Therefore, in the longer run there is potential for strength in cattle prices a year from now if the economic recovery is genuine and the expected hog expansion is moderate.



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