

Briefs

Livestock

Heifer Liquidation Continues to Support Beef Production Gains

Beef production will continue record large at least through summer, bringing 2000 output just below the 1999 record. Behind current gains in beef production are record-high slaughter weights and historically large numbers of heifers on feed and heifer slaughter, which will likely decline sharply this fall as more heifers are retained for breeding.

Dry conditions throughout much of the country last fall through late winter, particularly in southern winter grazing areas, forced more cattle into feedlots. These are cattle that normally would not have been placed on feed until late winter or early spring. Numbers of heifers on feed remain large and even more were placed on feed this past fall and winter rather than retained for herd expansion. On April 1, heifers on feed were up 8 percent from a year earlier and up 14 percent from April 1, 1999 (in seven monthly reporting states with at least 1,000 head capacity). With cattle entering feedlots earlier than usual, feeder cattle supplies on April 1 were down nearly 8 percent from a year earlier. With monthly placements above year-earlier levels from August through February, fed-cattle marketings will likely remain record high through summer.

Improving moisture conditions are aiding spring pasture development following an unusually dry fall-winter season, and March feedlot placements declined 1 percent from very large placements in 1999. As long as crop planting and grazing conditions remain fairly favorable, placements well into next year are expected to remain below year earlier levels, reflecting the declining cattle inventory.

On January 1, 2000, all cattle and calves in the U.S. totaled 98 million head, down 1 percent from a year earlier, the fourth year of decline from the 1996 peak of 103.5 million head. Total cow inventories and replacement heifer inventories continue to decline slightly.

In addition to higher-than-expected feedlot placements through February, beef production is bolstered by slaughter weights that are likely to remain on a record-setting path as demand remains strong for higher quality beef with consistent eating qualities. However, improved grazing and replenished livestock pond water this spring may result in lower cow slaughter over the next couple of years.

In spite of large competing meat supplies, demand remains strong, and cattle prices rose over the winter quarter. Larger beef supplies and seasonal gains in the proportion grading Choice and above will temper the sharp jump in prices from last fall when Choice supplies were very tight.

Fed-cattle prices averaged near \$70 per cwt this past winter, up nearly \$8 from a year earlier. Although continued heavy slaughter weights and large slaughter potential place cattle feeding operations in

a weaker bargaining position, a strong economy and continued high consumer confidence helps support beef prices, particularly hotel-restaurant demand for higher quality beef. Prices are likely to range from \$67 to \$71 this spring and summer as a larger share of fed-cattle grade Choice and higher. Prices will likely rise into the low \$70's this fall as the impact of reduced feedlot placements beginning in late winter reflect 4 years of declining cattle inventories.

Similarly, feeder cattle prices are likely to remain in the mid-\$80's per cwt for much of the year, up from an average \$76.39 in 1999. Prices will be increasingly sensitive to forage and crop developments this spring. Declining feeder cattle supplies and continued strong demand for beef will support prices. Prices for lighter weight stocker cattle for grazing programs will remain very strong as supplies decline and spring/early summer grazing prospects improve.

Retail prices for Choice beef averaged \$2.88 a pound in 1999, up 11 cents from a year earlier and the strongest since 1993's \$2.93. Per capita beef consumption rose to 69.2 pounds from 68 pounds

May Hay Stocks Likely Down

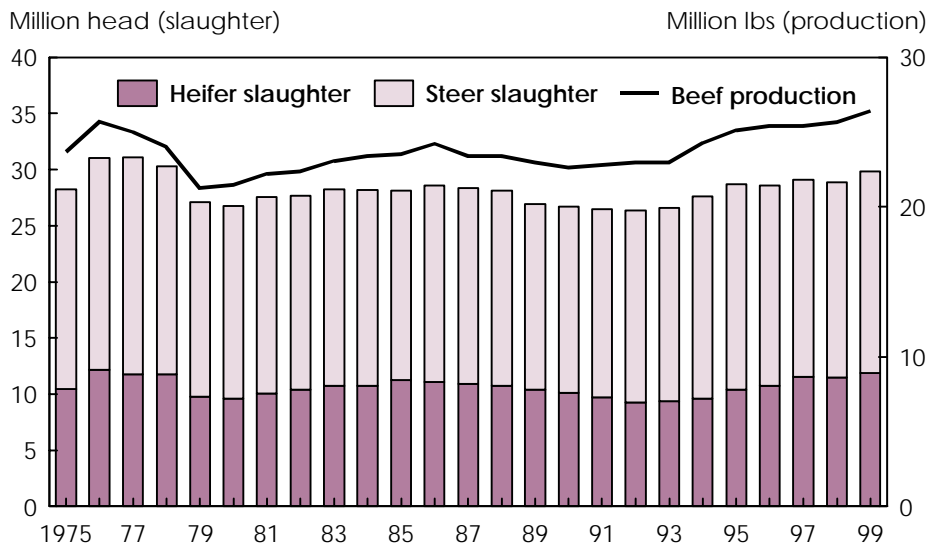
Dry conditions throughout a large portion of the U.S. into late winter raised concerns about crop and forage prospects in 2000. With the heaviest feeding season from December through early spring, hay stocks are likely down sharply. In general, conditions have been relatively dry since 1995/96, particularly in the southern half of the U.S. Dry conditions spread into the northern parts of the U.S. in the winter of 2000. Ample spring grazing and rebuilding hay stocks will be significant factors for many cattlemen considering herd expansion.

Hay stocks were down 3 percent from a year earlier on December 1, 1999, but they remain adequate for reduced inventories of roughage-consuming animals. However, feed use has been extensive, and supplemental feeding will likely remain high until spring grazing is available from April through June.

Supplemental feeding between the May 1, 1999 and December 1 stocks report was very heavy as many areas simply had very little accumulated forage for grazing, and moisture-deficient small-grain winter pastures provided little grazing. The seasonally heavy supplemental feeding period from December 1, 1999 through the May 1, 2000 stocks report suggests that hay stocks will be pulled down even with the fairly mild winter.

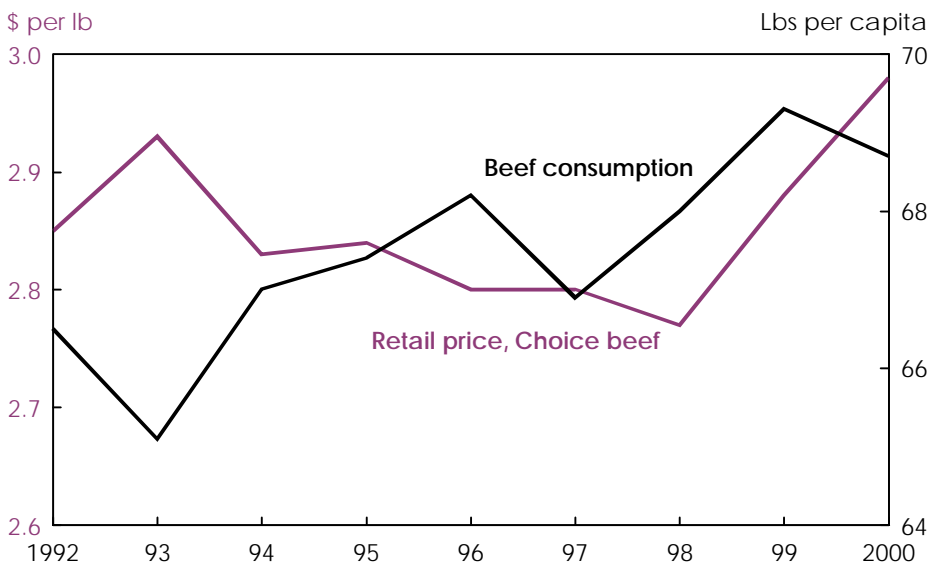
Despite some producers' concerns about feed supplies, grain stocks remain large, keeping grain prices in check. The farm price of corn is expected to range from \$1.85 to \$1.95 per bushel in 1999/2000, about the same as last year and well below 1997/98's \$2.43. In addition, hay prices in general remain below a year earlier.

Rising Heifer Slaughter Bolsters Beef Production



Economic Research Service, USDA

Beef Prices Continue to Rise and Per Capita Consumption Slips



2000 forecast.
Economic Research Service, USDA

in 1998. Prices peaked in December 1999 at \$3.02 a pound with beef purchases for millennial events.

In 2000, prices likely will return to more typical levels of premillennial 1999 and average in the upper \$2.90's a pound. Prices for retail Choice beef declined to the mid-2.90's in January-February, with

first-quarter per capita beef consumption rising just over a pound from both 1998 and 1999. Retail prices are likely to remain in the mid- to upper \$2.90's until fall, when they are expected to rise above \$3 per pound. Per capita beef consumption will decline from 1999's peak, following the decline in beef production.

Beef prices are in a position to remain high for multiple reasons. Both hotel-restaurant and export demand for high-quality beef appear very strong, and will be enhanced by resurging economic growth in Asia. In March, the price spread between Choice and Select boxed beef was \$6.14 per cwt, up from \$1.57 a year earlier. Last fall, when Choice beef supplies were tight and demand strong, the spread ranged from \$11 to \$15. **AO**

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For more information on the beef market: *Dairy and Poultry Situation and Outlook* at <http://usda.mannlib.cornell.edu/reports/erssor/live-stock/ldp-mbb/2000/>

Upcoming Reports—USDA's Economic Research Service

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.

May

- 12 *World Agricultural Supply & Demand* (3 pm)
- 15 *Cotton & Wool Outlook* (4 pm)**
- Oil Crops Outlook* (4 pm)**
- Rice Outlook* (4 pm)**
- 16 *Feed Outlook* (9 am)**
- Wheat Outlook* (9 am)**
- 18 *Sugar & Sweeteners Yearbook**
- 22 *Agricultural Outlook**
- 25 *U.S. Agricultural Trade Update* (3 pm)
- Livestock, Dairy & Poultry* (4 pm)**

*Release of summary, 3 p.m.
**Available electronically only