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A RECORD CATTLE INVENTORY will continue to swell slaughter supplies despite the reduced number of cattle moving through feedlots. According to the U.S. Department of Agriculture, the inventory of all cattle totaled nearly 132 million head on January 1, 1975, up 3 percent from the year-earlier level and the eighth consecutive annual increase in the nation's cattle herd. Nevertheless, the January 1 inventory of cattle on feed, at 10.2 million head, is down 25 percent from a year ago and the smallest in a decade.

The rise in the inventory of all cattle can be attributed to the large calf crop that exceeded slaughter and death losses. The 1974 calf crop rose more than 3 percent above the year-earlier level, adding nearly 51 million head to the total cattle supply. This increase was only partially offset by the slaughter of around 40 million head of cattle and calves in 1974—up 11 percent—and death losses of 6.1 million head, down from 6.5 million in 1973. The bulk of the net increase in the total cattle inventory reflected proportionately large gains for beef cows, heifers intended for beef cow replacements, and cattle weighing less than 500 pounds. The inventory of steers and "other" heifers—those not intended for beef or dairy cow replacements—weighing 500 pounds or more was down substantially.

The record inventory has provided sufficient slaughter supplies of non-fed cattle to offset the reduced marketings of cattle from feedlots. During the first half of 1974, fed cattle marketings from the 23 major states were equivalent to about 71 percent of total commercial slaughter, close to the previous five-year average. During the second half of 1974, however, fed cattle marketings were equivalent to only 57 percent of the expanded volume of commercial slaughter.

The larger volume of non-fed cattle marketings has substantially altered the quality of total slaughter. During the second half of 1974, steers and heifers graded "good" or below accounted for over one-third of those sold for slaughter at major Midwest markets, up from around one-fifth a year earlier. While the spread in prices between steers graded "choice" and those graded "good" has increased in response to the comparatively smaller supplies of higher graded slaughter, the differential is less than many observers had anticipated. For example, the price differential between choice steers and good steers averaged $2.57 per hundredweight during the latter part of 1974, up less than 90 cents from the year-earlier spread.

Fed cattle slaughter will continue to account for a declining proportion of total cattle marketings for several months. At the start of this year, feedlot operators in the 23 major states indicated they intended to market 8 percent fewer fed cattle during the first quarter than in the same period a year ago. The intended reduction is only slightly more than expectations based on the historical relationship between the inventory of heavyweight cattle on feed and subsequent fed cattle marketings. Although actual fed cattle marketings have fallen far short of predictions based on the historical relationship during the past eight quarters, the discrepancy narrowed appreciably during the latter half of 1974.

Most observers expect non-fed cattle slaughter will easily offset the continuing decline in fed cattle marketings. But the magnitude of the increase is difficult to predict since factors such as weather, pasture conditions, and the reactions of cow/calf operators to the deepening financial squeeze are major unknowns. Although prices of slaughter cows are down substantially, cow slaughter in December was nearly 50 percent above the year-earlier level.

Overall, total cattle slaughter may decline seasonally for the next few weeks but remain well above year-ago levels. Based on the evidence of a sharp expansion in January, slaughter for the entire first quarter may exceed the year-earlier level by around 12 percent. Total beef supplies, nevertheless, will register a smaller gain if the average weight of cattle marketed continues below year-ago levels, as expected. During the fourth quarter of 1974, the live weight of cattle slaughtered averaged 4 percent under year-earlier weights.

Cattle prices are expected to recover somewhat from recent lows. The seasonal reduction in cattle slaughter, the anticipated declines in hog and poultry slaughter, plus somewhat lower cold storage stocks of beef should provide support for an uptrend. However, the sluggish performance of the overall economy and recent declines in employment provide some concern for the aggressiveness of consumer demand.

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