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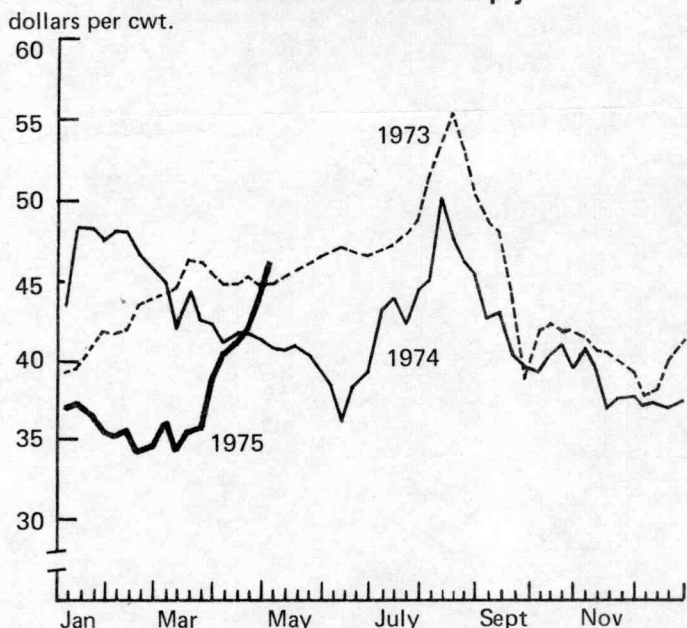
# Agricultural Letter

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**CATTLE PRICES** have risen sharply in recent weeks as slaughter has declined seasonally. Prices of choice steers at Omaha rose to \$50 per hundredweight this week, up from the February low of \$34 and the year-earlier level of \$41. Expectations of sharply lower fed cattle marketings in the second quarter suggest prices may average close to recent levels in the near term. However, downward pressures may predominate in the summer and fall months.

**Cattle Prices Rise Sharply**



**Cattle slaughter** continues to exceed year-earlier levels but has slowed in recent weeks. Preliminary evidence suggests slaughter in April fell nearly 3 percent below the monthly average for the first quarter but remained 8 percent above the year-earlier level. Total beef production, however, was about equal to the year-ago level due to the lower average weight of cattle marketed. And in conjunction with the marked decline in pork production, total red meat production in April was about 5 percent below the year-earlier level. This marked the second consecutive month that red meat production has fallen below the year-earlier level, a first since late 1973.

**Feedlot activity** declined further during the first quarter, although placements have picked up sharply in recent weeks. As of April 1, the inventory of cattle on feed in 23 major states was 12 percent below the beginning 1975 level and 31 percent short of the year-ago mark. During the first quarter fed cattle marketings fell 9 percent below the year-ago level, while placements were down 19 percent. The decline in placements, however, may have been confined to the January-February period since placements in the seven monthly-reporting states were 20 percent above the low year-earlier level in March.

The reduced inventory of cattle on feed will result in a lower volume of fed cattle marketings. Cattle feeders intend to

market about one-fourth fewer cattle than a year ago during the second quarter. Such intentions would be consistent with the historical relationship between inventories and subsequent marketings and portend the smallest quarterly volume of fed cattle marketings since the fourth quarter of 1965.

Most observers expect that increased marketings of non-fed steers and heifers plus cows will more than offset the year-to-year declines in fed cattle marketings during the second quarter. During the first quarter cow slaughter rose 31 percent above the corresponding year-earlier level. The greening of spring pastures may have taken some of the pressure off the large volume of non-fed cattle slaughter, at least temporarily. Nevertheless, the record large total cattle inventory, as well as current high prices, would support prospects for a sustained large volume of non-fed slaughter in the second quarter. But the increased proportion of non-fed cattle in the total slaughter implies average slaughter weights will remain substantially below year-ago levels. Therefore, total beef production in the current quarter may be close to the year-ago level. And in conjunction with sharply curtailed hog marketings, total red meat production will likely be down materially from the high year-earlier level.

These expectations suggest cattle prices may remain at high levels for the near term. Although some easing from the recent surge in prices might be expected, a second-quarter average in the mid-to-high forties would appear possible. Price projections for the summer and fall period, however, hinge on the large potential slaughter of non-fed cattle, as well as the likelihood that a near-term continuation of the March turnaround in placements will provide a larger volume of fed cattle marketings during the latter part of the year.

Slaughter marketings of non-fed cattle will primarily reflect pasture conditions and emerging prospects for the 1975 feed grain harvest. Adverse weather conditions that might lower the pasture carrying capacity and/or prove unfavorable to the feed grain crop would tend to swell slaughter supplies. Alternatively, favorable weather conditions would tend to ease the pressures in marketings and augment the incentive to move cattle into feedlots. But in either case, slaughter will be rising seasonally and will exceed year-ago levels as the cattle industry undertakes the necessary steps to curb the upswing in the cattle cycle. Prices therefore are expected to decline during most of the summer and fall.

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