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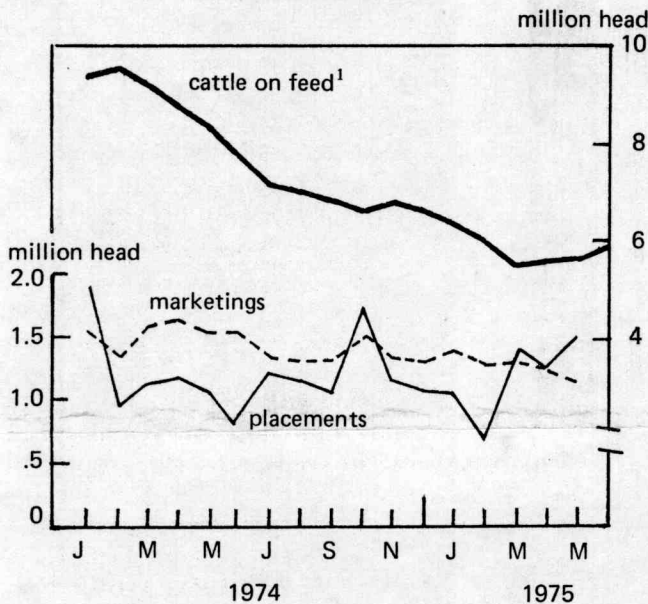
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CATTLE FEEDING PROFITS are rising and this has prompted a sharp upswing in feeder cattle placements. Moreover, favorable weather conditions provide optimism for substantially larger feed supplies in the future, presaging lower feed cost and even greater improvements in operators' profit margins. While cattle supplies are expected to be up significantly in the latter half of 1975, declining supplies of pork will likely be offsetting, leaving cattle prices relatively strong throughout most of the year.

Placements of cattle on feed in the seven major feeding states during May totaled just over 1.5 million head, up 20 percent from May 1974 and the third consecutive month that placements exceeded the year-earlier level. Nevertheless, the total number of cattle on feed in the seven state area on June 1 was only 5.8 million head, down 26 percent from a year ago and 42 percent below the all time high of 10 million head or feed on February 1, 1973.

Feeder cattle placements on the upswing



¹Inventory in feed lots first day of month.

Cattle prices recently moved towards the mid-50s, almost matching the August 1973 record levels. The upswing in prices has been sharp, increasing by almost \$20 per hundredweight in only four months. Lower meat supplies are the main reason for the price rise. Beef production in the second quarter has been off about 2 percent, and pork supplies have lagged year-earlier levels by 19 percent. It now appears that total red meat supplies in the second quarter of 1975 may be off about 8 percent from second-quarter 1974.

Favorable weather has had a twofold affect on cattle prices. First, ranchers have been able to sustain relatively large herds of cattle on pasture, thus preventing a flood of cattle to market. Second, favorable crop prospects have served to moderate grain prices, thereby increasing returns to cattle feeders. As a result of the improved profits, feeder operators have been buying a larger number of cattle from ranchers, as witnessed by increasing placements, thus diverting the grassland animals from the slaughter markets.

Beef supplies are expected to pick up in the second half of 1975. Even under optimum weather conditions some cattle will start coming off pastures by mid- to late summer. Though pasture conditions are generally good, larger-than-usual numbers of cattle are currently being pastured and will likely deplete pastureland by the usual time. Furthermore, the anticipated record calf crop will increase incentives to sell calves held over from previous years. Nevertheless, continued cutbacks in hog marketings will likely be more than offsetting, leaving total red meat supplies about 1 percent under the same year-earlier periods in both the third and fourth quarters.

Supplies of poultry are also expected to be down in the third quarter—pushing total available meat supplies 2 percent below third-quarter 1974—but then rise enough in the fourth quarter to offset the decline in red meats. As a result, available meat supplies will approximately equal fourth-quarter 1974 levels.

Curtailed meat supplies imply that cattle prices should remain fairly strong in the next few months. Prices are likely to come under some downward pressures in the next month or two as cattle begin to move off pastures at a more rapid rate. However, with more grassland cattle moving to feedlots and with pork in short supply, cattle prices will likely hold in the mid- to upper-40 range throughout most of the third quarter. Increasing downward pressures are likely later in the year as marketings rise seasonally and some of the cattle placed on feed in recent months begin to come to market.

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