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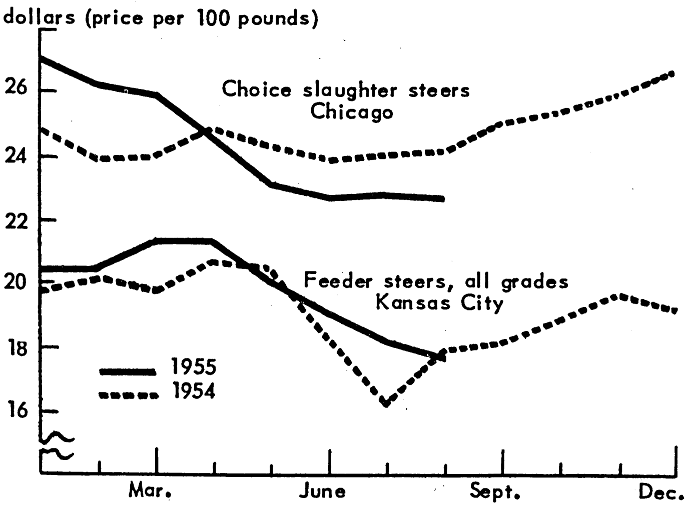
RETURNS FROM FEEDING CATTLE are dominated by the cost of feeder stock, feed cost and the price received for fat cattle. A look at prospective trends of these three factors can aid the cattle feeder in sizing up income potential in the year ahead.

The following USDA data indicate average costs and returns from feeding steers in the Corn Belt during the past two years.

	1953-54		1954-55	
	(dollars)			
Ave. April-July price received for a 1,050 lb. choice steer	24.24		23.26	
Total returns per head		255		244
Ave. August-December price paid for a 700 lb. steer	16.36		18.74	
Cost of feeder steer	115.00		131.00	
Transportation and marketing costs	15.00		15.00	
Feed costs, per head	86.00		82.00	
Total cost of above items		216		228
Return above costs shown, per head		39		16

Prices of feeder cattle, after declining seasonally, are currently about equal to last year's level of $17-$18. Generous feed supplies throughout the Corn Belt and improved forage supplies in the West are expected to be the main factors inducing a keen demand for feeder cattle during the fall. As a result, some observers believe feeder cattle prices may average about the same as a year ago despite currently lower fat cattle prices. On the other hand, if the usual seasonal price pattern is followed, feeder cattle prices would remain close to current levels through late fall.



During July shipments of feeder cattle into nine Corn Belt states, while increasing seasonally, dropped 3 per cent below levels of a year earlier. Despite recent lower replacement demand which carried into August, most observers expect the volume of feeding to at least equal that of last winter.

Feed prices currently average about 6 per cent below those of a year ago. And some observers believe that in the coming feeding year this margin may widen to 10 per cent or more as feed prices decline further. As a result, total costs in the above feeding program would be trimmed by $8 or $9 assuming that prices paid for feeders and transportation and marketing costs remain about the same as last year.

Fat cattle prices, in the opinion of most market analysts, will be influenced by a larger supply of grain-fed cattle next spring and summer than during the corresponding period of this year. In addition, the pork supply is still on the increase and hence can be expected to provide more competition for the consumer's meat dollar. A price strengthening force stems from the expected continued high level of consumer demand. The net effect of these diverse forces may result in fat cattle prices that will average from near last season's level to somewhat lower.

With lower feed costs and fat cattle prices equal to those of last spring and summer, average returns would increase from $16 to $24 per head. A price decline to $22 would lower returns to $11 per head while a price increase to $24 would boost returns to $32.

RETURNS naturally will vary from farm to farm and according to the feeding program adopted. For example, the prospective narrow price spread (between the cost of feeders and finished cattle), together with lower feed costs, indicates that feeding calves may be more profitable than feeding heavier cattle.

The projected range of returns suggests that pressure will still be intense to improve efficiency and lower feeding cost. Use of recent advances in feeding technology (like stilbestrol) may lower feed costs substantially and improve returns over those indicated in the in the above comparisons.

Research Department