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# Agricultural Letter



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**CATTLE AND CALVES** on farms and ranches totaled a record 127.5 million head on January 1, 1974, 5 percent over the year-ago inventory, according to a recent U. S. Department of Agriculture report. Increases in the cattle inventory in 1973 were larger than normal due to the decline in slaughter and a larger calf crop. Cattle slaughter dropped 6 percent and calf slaughter was down 26 percent in 1973. There were fewer cattle slaughtered in 1973 than in any year since 1967, and the combined cattle and calf slaughter was the lowest since 1963. Last year's calf crop totaled 49 million head, up 3 percent from 1972.

The drop in cattle and calf slaughter and the larger calf crop was somewhat offset by unusually heavy death losses experienced in the winter and spring of 1973. Preliminary indications are that 1973 death losses totaled 6.5 million head, up 27 percent from 1972.

The value of cattle and calves rose sharply in 1973. The total value of the nation's herd increased over one-third. Most of the increase came through higher prices, with the average value per animal up more than 25 percent during the year.

**Cattle on feed** in the 23 major cattle feeding states numbered 13.1 million head on January 1, down 6 percent from a year ago. All of the decline occurred among the medium and lightweight cattle. The inventory of heavyweight feeders, most of which are likely to be marketed in the first quarter, was 14 percent larger than a year ago. Nevertheless, feeders in the 23 states indicated that they planned to market 1 percent fewer fat cattle in the first quarter than one year ago. Preliminary federally inspected slaughter numbers confirm the feeders' intentions; January slaughter was down about 2 percent from last year.

Feeders in the 23 states reported a substantial decline in the number of medium and lightweight cattle and calves on feed January 1. The number of steers under 900 pounds and heifers under 700 pounds in feedlots totaled just over 7.4 million head, a 17 percent decline from January 1, 1973. (Heifers average about 200 pounds lighter than steers when marketed.) The bulk of fat cattle that will be marketed in the second quarter will come from this weight group, an indication that marketings may fall below the 1973 second-quarter level, one that was sharply reduced from the previous year.

The sharp reduction in the medium and lightweight grouping is a reflection of the drop in feeder placements throughout most of 1973. The first big decline occurred in the second quarter when placements dropped 11 percent. Placements in the latter half of 1973 were down 15 percent. A consumer boycott, inclement weather, a price freeze, high feeder cattle costs, and more than a twofold increase in the price of many feed ingredients combined to cause many cattle

feeders to cut back or get out of the cattle feeding business during 1973. Although cattle prices reached record peaks in March, and again in August, prices also plunged dramatically on several occasions. And while many feeders experienced record income levels during 1973 some suffered substantial financial losses.

The *Cattle on Feed* report's estimated cutback in the inventory of medium and lightweight cattle in feedlots seems to portend a reduction in second-quarter marketings. However, figures in the USDA's *Cattle* report seem to suggest a substantial increase in supplies of feeder cattle. The inventory of steers and non-replacement heifers over 500 pounds but not on feed in the 23 major feeding states was up 14 percent, or 1.8 million head, on January 1. These cattle may come into feedlots at heavier than usual weights in 1974 and finish rapidly. Others may go directly to the slaughterhouse after being held on the range. On balance, there appears to be more than enough cattle in this category to make up for the 0.8 million head decline in medium and lightweight cattle in feedlots January 1.

Some industry observers question the existence of the larger feeder cattle supply. There was allegedly an increase in the feeder cattle supply last year that was supposed to reflect the large 1972 calf crop. But instead placements in feedlots dropped substantially. Current trade reports suggest most feeder sales are now coming from the 1973 calf crop. A part of the 1972 calf crop seems to have disappeared if these reports are true, a situation that raises some question about the validity of the current inventory figures.

The price outlook also hinges on feeder cattle movement to feedlots. If placements move above year-ago rates this quarter, fed cattle supplies may start to exceed year-ago levels by midyear. But until fed marketings increase above year-ago levels, fat cattle prices are likely to remain in the mid- to high \$40 range. More distant cattle futures for the second half of 1974 suggest fat cattle prices near the \$50 mark. While these prices, no doubt, reflect the lower inventory of medium and lightweight cattle on feed January 1, the larger supply of feeder cattle could place downward pressure on cattle prices in the second half.

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