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Agricultural Letter

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CATTLE ON FEED inventories slipped further behind year-earlier levels during the third quarter according to the U.S. Department of Agriculture. As of October 1, cattle on feed in the 23 major states numbered just over 9.1 million head, down 24 percent from a year earlier and the smallest number on feed for that date since 1967. At midyear, cattle on feed were 21 percent below the year-earlier level. In light of the reduced cattle feeding activity, it is apparent that fed cattle slaughter will continue to lag sharply behind year-earlier levels for several months. Total marketings, however, may be up if the huge increases in non-fed cattle slaughter continue into the winter months as expected.

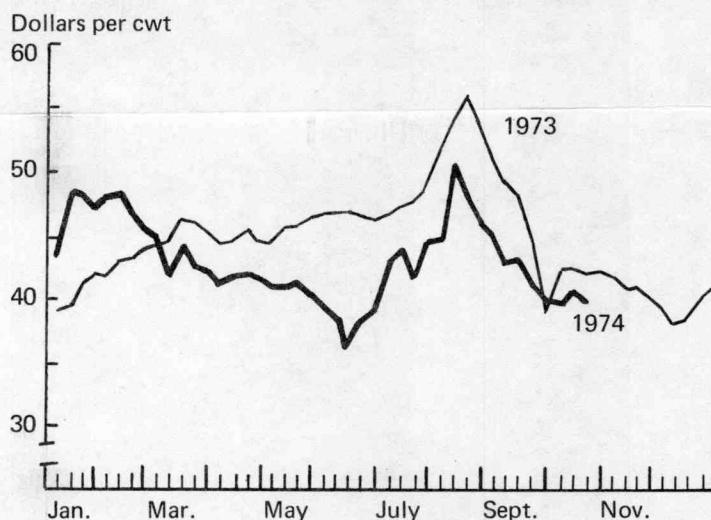
Substantial inventory declines were evident for all weight categories of cattle on feed. However, the decline in lightweight cattle—steers under 700 pounds plus heifers weighing less than 500 pounds—was a comparatively large 43 percent. All other weight categories that combine steers with heifers 200 pounds lighter were down about 19 percent from year-ago levels. The large decline in lightweights no doubt reflects a trend toward placing heavier-weight cattle on feed and the comparatively large decline in placements during the latter part of the third quarter. Overall, placements of cattle into feedlots fell to 4.6 million head during the third quarter, down more than 12 percent from the low year-earlier level. But among the seven monthly reporting states, placements in September were down 28 percent.

Fed cattle marketings were reportedly down 7 percent from the year-earlier level during the third quarter. This decline is in sharp contrast to the apparent 16 percent increase in total cattle slaughter during the same period. The divergent trends indicate that fed cattle marketed out of the 23 major states was equivalent to less than 60 percent of total commercial cattle slaughter during the third quarter, down sharply from the more typical 75 percent level. Alternatively stated, the year-to-year increase in non-fed cattle slaughter was probably around 80 percent.

There is much evidence confirming a large increase in non-fed cattle slaughter. For example, only 64 percent of cattle sold for slaughter at seven major markets were graded choice or better during the third quarter, with the remainder graded good or below. During the same period a year ago, the proportion that was graded choice or better accounted for 76 percent of the total

Despite the reduction in cattle feeding activity, slaughter is expected to remain at high levels. Short supplies and high prices of feed grains and hay, plus the approaching winter months are likely to result in a continuation of the sharply expanded volume of non-fed cattle marketings. Additional pressures to expand

Steer Prices Continue Below Year-Ago Levels



non-fed marketings could result if wheat pasture conditions are less than optimal.

Cattle feeders intend to reduce fed cattle marketings around 18 percent from the year-earlier level during the fourth quarter. A decline of this magnitude would be consistent with the reduction in the inventory of heavyweight cattle. While many observers expect a somewhat smaller decline in fed cattle marketings—because of the more rapid inventory turnover that results from placing heavier-weight cattle on feed—it should be noted that reported fed cattle marketings have consistently fallen short of intentions for several quarters.

On balance, it is possible that total cattle slaughter for the next few months could approach near-capacity levels, perhaps averaging 5 to 7 percent above a year ago. Total beef supplies, however, will register a somewhat smaller increase due to lower average weights of cattle slaughtered. Moreover, total meat supplies will likely start falling below year-earlier levels by early 1975 in response to recent adjustments by pork and poultry producers that will result in sizable declines in competitive meat supplies. These possible developments suggest cattle prices might start gaining momentum in the near future and continue to rise throughout the first quarter of 1975.

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