Federal Reserve Bank of Chicago . . .

Agricultural Letter

June 18, 1976

Number 1383

CATTLE FEEDING MARGINS have been pushed below the breakeven point in recent weeks. The retreat in choice cattle prices since late April, coupled with an upward rise in feed prices, has tempered cattle feeder's enthusiasm to expand feeding operations. This was reflected by a cutback in the number of cattle placed on feed during May, a situation contrary to the trend in the early months of 1976.

After reaching $45 per hundredweight in late April, choice cattle prices eroded steadily, averaging near the $40 level since mid-May. During approximately the same period of time, corn prices increased about 40 cents per bushel. If the full feeding term is considered, the combination of events depressed returns per animal fed about $70.

According to the USDA June 1 *Cattle on Feed* report, marketings of fed cattle in the seven major cattle feeding states were 27 percent above a year earlier during May. While the upsurge in marketings no doubt played a large role in the weakening of choice prices, the magnitude of the price drop was, nonetheless, surprising to most observers. Retailers allegedly accumulated stocks in late March and early April for later promotions and then withdrew from the market. There also were reports of delayed marketings in late April and early May, a situation that results in heavier cattle which usually exacerbate a deteriorating price situation. This was confirmed by the steady rise in average weights of cattle carcasses in May.

Cow slaughter also remained near the high year-ago levels in May, another factor that may have contributed to the recent downward price pressures on cattle. Range and pasture conditions in the country as a whole have been improving, but remain below the long-term average. Pastures and ranges in Nebraska, South Dakota, and North Dakota were rated poor to fair at the beginning of May; central California, western Texas, and eastern New Mexico were all experiencing a severe drought. Minnesota and Wisconsin also suffered prolonged dry spells in April and May. The adverse conditions no doubt encouraged marketings of cattle that may have otherwise been delayed until late summer or fall.

Cattle placements in the seven major cattle feeding states totaled just over 1.3 million head in May, down 14 percent from a year earlier. Placements were down in six of the seven states with only Texas recording an increase of 6 percent. The total number of cattle on feed in these states June 1 stood at 7.3 million head, up nearly one-fourth from the depressed year-ago level. Nevertheless, as of June 1 cattle on feed numbers are 8 percent below the 1974 level and 23 percent below the record midyear high in 1973.

Third-quarter supplies of marketable fed cattle will be up somewhat from a year earlier, but down seasonally from the second quarter. This should impart some strength to choice cattle prices over the next few weeks. Nevertheless, the flow of cows and non-fed steers and heifers to market remains an important influencing factor. Current conditions and prospective supplies would suggest a $2 to $3 advance in cattle prices over the next few weeks. Furthermore, a significant improvement in pasture conditions could result in much stronger prices by midsummer.

Prices of fat cattle and feed grain will remain the crucial determinant of placements in the next few months. Cattle placed on feed over the past week could be hedged at very near the breakeven point—vacillating from slight profit to slight loss almost on a daily basis. These conditions would appear to offer little incentive for cattle feeders to step up placement rates markedly in the near future. As a result, the increase in marketable supplies of fed cattle in the later part of the year may not be large enough to offset the expected year-to-year decline in cow and non-fed steer and heifer marketings.

Weather conditions will remain an important influence on cow and non-fed steer and heifer marketings. If adverse weather conditions persist, the flow of cattle from ranges and pastures is likely to continue at higher than normal rates. Likewise, uncertainty about the impending feed grain crop, plus reports of lower than expected production in some foreign countries, may hold feed prices relatively high, at least until the size of the fall harvest is more definite. These conditions would limit any advance in cattle prices and minimize increases in placement activity. On the other hand, improved moisture conditions might stem the flow of cattle from pastures and ranges and also improve crop prospects. Cattle prices would likely move to the mid-$40s and feed grain prices would probably be subject to some downward pressures, a combination that would most likely induce feeders to increase their rate of placements in feedlots.

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