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October 22, 1976

Agricultural Letter

Waite Memorial Book Collection
Division of Agricultural Economics



Number 1401

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THE OPTIMISM OF CATTLE FEEDERS has waned following negative profit margins through most of 1976. Placements of cattle on feed during the July-September period were down 6 percent from a year ago, a sign that producers were reluctant to continue to accept the 1976 losses associated with the cattle feeding industry. The decline in placements, coupled with large marketings, dropped the number of cattle on feed in the 23 major cattle feeding states slightly under the year-earlier level on October 1, the first time that year-to-year feedlot inventories have been down in over 12 months.

Cattle on feed in the 23 states on October 1 totaled 9.26 million head, down about $\frac{1}{2}$ of 1 percent from a year earlier. However, there were some rather substantial shifts among the various weight classes. For example, heavyweight inventories—steers and heifers 900 to 1,099 pounds and 1,100 pounds and over—were up 22 percent and 71 percent, respectively. On the other hand, the remaining three lighter weight categories were down from 5 percent to 33 percent. It is also interesting to note that among the seven states for which monthly data is collected, only two—Kansas and Nebraska—showed any sizable increase in inventories, perhaps a reflection of the increased availability and relatively low price of wheat. Recent reports indicate increased usage of wheat in cattle feeding rations.

Choice steer prices at Omaha slipped to an average \$37.30 during the third quarter, the lowest level since the first quarter of 1975 and 23 percent below the same period one year ago. Preliminary indications are that third-quarter beef production rose to 6.6 billion pounds, up 11 percent from a year ago and a new record—and one of the prime reasons prices fell. The rise in beef production was due to a 23 percent increase in third-quarter marketings of fed cattle coupled with a seasonal rise in nonfed cattle slaughter. As a result of the increase in domestic production and imports, beef supplies totaled nearly 33 pounds per capita during the third quarter, up almost two pounds per capita from the second quarter and slightly ahead of the standing record high set in the first quarter of 1976.

Retail prices averaged \$1.36 per pound, about 20 cents per pound under the year-earlier level in the third quarter. However, the price reduction was less than might have been expected under the circumstances. Farm-to-retail price spreads rose sharply, up nearly 10 percent from a year ago. A somewhat unexpected factor was the drop in consumer expenditures for beef to just under 2.4 percent of per capita

personal disposable income, compared to 2.6 percent a year earlier. This represents an unusual year-to-year decline in the percentage of disposable income spent for beef.

Cattle feeders plan to increase marketings of fed cattle 11 percent in the last quarter of 1976. However, the weight distribution of cattle on feed on October 1 suggests that marketings could be 13 or 14 percent higher. Nevertheless, fed cattle marketings will be down seasonally in the fourth quarter. The decline in fed cattle marketings will be offset somewhat by the seasonal rise in nonfed marketings. If normal trends hold, nonfed marketings will increase in the fourth quarter. But unless marketings of nonfeds are unusually high, the total number of cattle marketed for commercial slaughter in the fourth quarter will be under the year-earlier figure for the first time in almost three years.

Choice cattle prices have strengthened since dropping to the \$35 per hundredweight mark at the start of October. Despite the fact that cattle marketings may be down in the fourth quarter, total beef production will likely be up due to heavier average carcass weight. Average dressed weight was 605 pounds in the third quarter, compared with less than 570 pounds in the third quarter of 1975. A similar spread will likely exist again this quarter. With all else equal, choice beef prices could average over \$40 per hundredweight in the current quarter. However, pork supplies may be up between 15 and 20 percent and may push red meat supplies up 5 percent this quarter. Therefore, choice beef prices will probably average slightly less than \$40 per hundredweight in the fourth quarter.

The weight breakdown of the October 1 inventory of cattle on feed suggests cattle prices will likely trend upward over the remainder of this quarter due to the smaller number of lighter weight animals reported in feedlots. Consequently, as the year-end approaches, choice prices may rise to the low- to mid-\$40s. Choice steer prices are likely to continue on an upward trend in the first quarter of 1977, perhaps reaching the upper \$40s before downward pressures ensue.

Terry Francil
Agricultural Economist