Beef Cycles: A Clue To The Current Cattle Outlook

Do you doubt that there is any order to the chaos of the cattle industry? This issue of *Minnesota Agricultural Economist* describes and explains some patterns which cattle numbers and prices have followed in the past. The analysis will also help you anticipate future economic conditions in the dynamic cattle industry during the next 2 years.

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ON JAN. 1 1976, cattle numbers in the United States stood at 127.9 million head—a decline of 3.9 million from a year earlier. This decline ended a continual increase in cattle numbers which began in 1967.

If this cattle cycle is like previous ones, numbers will likely be reduced further before prosperity returns to the beef industry. Past cycles do hold clues to what may occur during the next 2 to 3 years.

This report studies what happened to beef numbers, production, prices, and profits in previous cattle cycles and explains why those changes took place.

Cattle cycle characteristics

A complete cattle cycle—increases and reductions in cattle num-bers—usually lasts about 10 years (figure 1). The current cycle, the seventh of this century, began in 1967. Cattle numbers hit a peak in 1975. Previous peaks were reached in 1965, in 1955, in 1945, and in 1934.

The cyclical nature of the beef industry stems from man's economic characteristics and the beef indus-try's physical characteristics. The key characteristics are: (1) the price of beef is determined largely by its relative supply; and (2) beef pro-ducers — both cattle feeders and feeder producers—tend to base their price expectations on current prices; but (3) it takes 2 to 3 years to reflect an expected price change into the desired change in livestock market-ing; and (4), meanwhile, beef mar-ketings actually move in the direc-tion opposite from that desired.
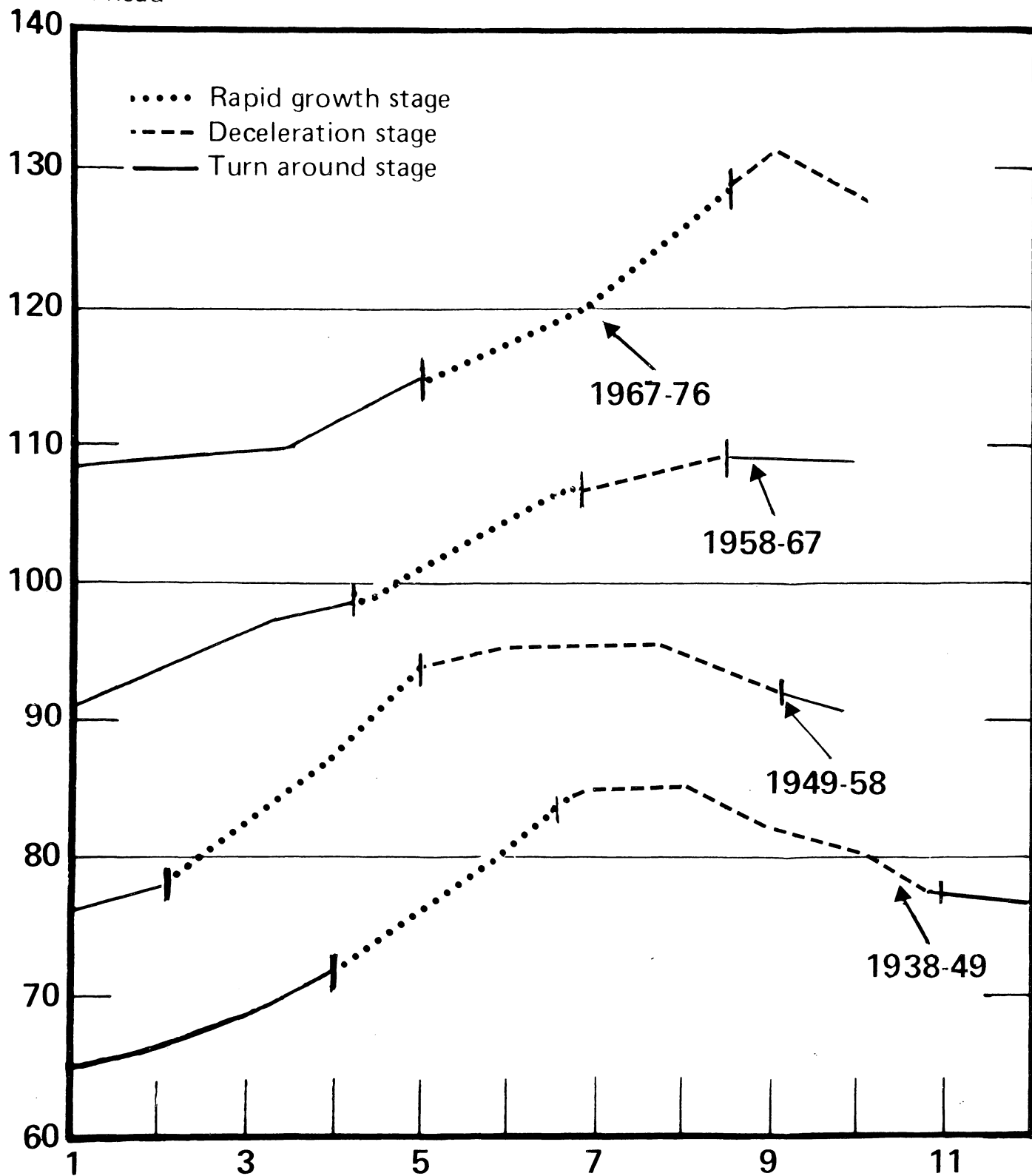
For example, after the large losses to beef producers in 1974, they de-cided to cut back beef production. But rather than being cut back, cattle slaughter in 1975 actually increased 11 percent. This was because of the large increase in slaughter of cows and young cattle that normally would have gone into feedlots for some grain feeding. Market prices dropped. This, in turn, is encourag-ing continued liquidation. Only after demand catches up with supplies, resulting in beef prices that again cover production costs, will produc-ers change their thinking and decide to maintain or increase production.

This leads to a relative reduction in beef supplies in the shortrun, while producers hold back more cows and replacement heifers. But, although the feeding sector of the industry can make rapid adjustments by feeding more calves and by feed-ing to heavier weights, the major increases in output of steer and heifer beef are delayed several years

Figure 1. Cattle on farms by cycles

Million head

····· Rapid growth stage
- - - Deceleration stage
—— Turn around stage

1967-76

1958-67

1949-58

1938-49

*Years of cycle beginning from low in numbers on farms and ranches.

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until the national cow herd is increased.

These time lags—both when attempting to decrease production and when attempting to increase production—bring overadjustments in beef numbers before prices signal this fact to producers. Thus is generated the regular cycle of overexpansion followed by overliquidation shown in figure 1.

Normally when analysts study the beef cycle resulting from this sequence of events, they break it into two phases: the expansion phase (buildup in inventory); and the contraction phase (decline in numbers).

These breaks are helpful for understanding cycles. However, a better understanding can be gained by separating a cycle into three segments: (1) the *rapid growth* stage; (2) the *deceleration* stage; and (3) the *turnaround* stage.

Figure 1 shows that the turnaround stage and the rapid growth stage represent two different segments of the expansion phase. The deceleration stage, however, generally includes parts of both the expansion phase and liquidation phase. Table 1 shows the years in the past 3 cattle number cycles that fell into each of the three stages.

Table 1. Calendar years of recent rapid growth, deceleration, and turnaround stages

Cycle years	Rapid growth stage	Deceleration stage	Turn around stage
1949-57	1950-52	1953-56	1957-60
1958-66	1961-63	1964-65	1966-70
1967-77	1971-73	1975-76	?
		1974[1]	

[1]The deceleration stage began the last half of 1974. Therefore when analyzing the changes made thus far in the current deceleration stage, half the year will be considered to be in the rapid growth stage and half will be considered to be in the deceleration stage.

Characteristics of the Three Stages
The rapid growth stage

Typical characteristics of the rapid growth stage are: (1) slaughter is low relative to inventory; (2) animal numbers increase rapidly; (3) cattle prices are at their highest; and (4) returns to beef producers are above average.

Slaughter is relatively low during this period because, in response to favorable beef prices, ranchers and farmers try to expand their herds. They attempt to do this by (1) holding back more than the normal amount of replacement heifers; and (2) by culling out fewer old cows. Calf slaughter also drops as feedlot operators bid more of the lower quality feeders away from slaughter accounts. The low slaughter rate of female stock, plus the reduction in calf slaughter, tends to hold down total beef and veal production; therefore, prices are higher than they normally would be, given the inventory numbers of cattle on hand. Total cattle and calf slaughter drops to about 30 percent of inventory, compared to a normal U.S. slaughter rate of 35-37 percent of the Jan. 1 inven-

tory number. Returns to all sectors of the beef business are above average. This is because cattle feeders are buying and selling on a cyclically rising market and because producers of feeder animals are enjoying the strong feeder cattle prices resulting from good returns from cattle feeding.

After beef cattle numbers have expanded too rapidly for a few years, lower slaughter prices (resulting from larger beef supplies) and/or higher production costs (resulting from higher feeder and/or feed prices) will cause cattle feeders to suffer large losses. Cattle feeders then pass their losses back to producers of the feeder animals by refusing to pay as much for feeder cattle. Cow-calf operators react by cutting back on the number of beef cows they keep. This chain reaction results in the culmination of the rapid growth stage and the beginning of the deceleration stage.

The deceleration stage

Typical characteristics of the deceleration stage are: (1) slaughter increases relative to inventory; (2) the growth rate in the cattle inventory declines sharply, and then inventory numbers actually drop; (3) cattle prices stay relatively low; and (4) returns to beef producers—especially feeder producers—are below average.

Slaughter increases relative to inventory quite sharply during this period. This is because both cattle feeders and feeder producers have decided they want to cut back production to minimize their losses. For example, the 1975 slaughter of cattle and calves was 36 percent of the Jan. 1, 1975, inventory, compared to a 30 percent slaughter rate in 1973. In a similar period in the 1950s, the ratio climbed from 32 percent in 1952 to 42 percent in 1955-56.

The culling rate of cows is increased, thereby increasing the number of cows going to market. For example, the culling rate in 1975 was 20 percent vs. 12 percent in 1973. Cow slaughter jumped from 6.2 million head in 1973 to 11.5 million head in 1975. Also, fewer heifers are held back for replacement cattle, thereby making more heifers available to go into feedlots or to go directly to slaughter. For example, the Jan. 1, 1976, cattle inventory estimate shows a total of only 7.2

million beef heifers being held for replacement, compared to 8.9 million a year ago. Thus the available yearling feeder supply is 1.7 million over what it would have been if replacement rates had remained constant.

Finally, fewer calves are in demand to place on feed; consequently, calf slaughter increases sharply. For example, calf slaughter increased from a low of 2.4 million head in 1973 to 3.2 in 1974 and 5.4 in 1975.

About the only kind of cattle not showing a sharp increase in slaughter during the deceleration stage are the choice finished slaughter cattle. This is because the slowdown in feedlot demand permits slaughter accounts to outbid feeder accounts; thus a shift occurs from fed cattle slaughter to "nonfed" slaughter. Nonfeds are steers and heifers that go to slaughter directly from pasture or from high forage rations.

Beef supplies per capita increase during this period, bringing down average beef prices. Retail beef prices must decline to facilitate selling an increased beef supply. Lower retail prices are passed back to producers; this, in turn, encourages them to sell back even farther on their basic breeding herds.

Returns to both sectors of the beef production industry are below average during this period. Cattle feeders are buying and selling on a cyclically declining market — especially early in this stage of the cycle. Beef cow operators are forced to take losses, since they are at the "end of the line" and have no one to pass back any price reduction to, unless it is those from whom they rent pasture or buy feed and other supplies.

After a few years of record beef production during the deceleration stage, per capita beef supplies start to drop off. Prices recover. This, then, moves the cycle into the turnaround stage.

The turnaround stage

Typical characteristics of the turnaround stage are: (1) slaughter is normal relative to inventory numbers; (2) animal numbers stabilize and then increase at a normal rate; (3) cattle prices recover from the low levels of the deceleration stage; and (4) returns to beef producers are about average.

Now after the heavy culling of the deceleration stage, a period of more

normal cow slaughter characterizes the turnaround stage. Also, heifer replacement holdback is at a rate necessary to maintain or slightly increase cow numbers. While beef production levels off, human population and per capita incomes continue to increase; therefore, demand for beef increases. To ration beef supplies, retail prices are increased. Slaughter beef prices rise, and feeders can again bid feeder cattle prices up to levels that cover average production costs. These factors enable feeder cattle producers to make about normal returns. Cattle feeders will buy and sell on a relatively stable or slightly increasing market, enabling them to also cover their production costs.

As demand for beef continues to increase, it outpaces production increases causing all beef prices to move to even higher levels and encouraging beef producers to start increasing their herds more rapidly. This moves the cattle cycle back into the rapid growth stage, and the cycle has gone full circle.

Analysis of current deceleration stage

The current deceleration stage started in late 1974, with 1975 being the 1st full year in this stage. The deceleration stage of the cattle cycle is usually triggered by large losses to the cattle-feeding sector of the industry. Losses can result from a drop in beef prices and/or increased beef production costs. The large losses suffered by cattle feeders in 1974 were due primarily to increased production costs. First, cattle feeders paid the highest prices ever for feeder animals; secondly, they ran into record-high feed grain prices. Consequently, even though fed cattle prices were relatively high during much of 1974, record losses of $100 to $200 per head were suffered by most cattle feeders. These large losses continued until May 1975.

Table 2 shows that cattle feeding losses in 1952 and again in 1963 ended the rapid growth stage of those two cattle cycles, just as the large losses that started in October 1973 ended the rapid growth stage of the current cattle cycle. The resultant deceleration stages lasted 4 years in the 1950s, compared to only 2 years in the 1960's. The adjustment required in the 1950's was more severe than that of the 1960's. Rea-

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sons included: (1) the growth rate during the previous rapid growth stage had been more rapid in the 1950s than in the 1960s; (2) dry weather in the mid-1950s, which led to reduced grain and forage production in some cattle areas, required larger cutbacks in the total cattle herd to better match limited feed supplies; and (3) the hog cycle peaked in 1955, adding to total meat supplies during that deceleration phase.

The current deceleration stage is expected to be more like that of the 1950s than that of the 1960s for these reasons: (1) cow herd expansion was twice as great as it should have been during the rapid growth stage of the early 1970s. (Cow numbers increased at 2 million head per year, rather than matching the demand growth of about 1 million cows per year. This was similar to the rapid cow herd growth in the early fifties.); (2) worldwide grain shortages have more than doubled grain prices during the last few years, resulting in a sharp increase in total beef production costs (If corn grain prices remain in the $2.25 to $2.50 farm level price range, total beef production will have to be significantly curtailed to obtain a large enough increase in beef prices to cover all production costs in both sectors of the beef economy.); (3) droughts have been occurring about every 20 years in the central United States. The limited feed supplies and higher feed prices resulting from these droughts forced more liquidation of cattle in the 1950s and in the 1930s than would otherwise have occurred. Drought is threatening again in 1976.

Therefore, the best clues to what will happen in the beef industry the next few years can be found by close examination of what happened in the 1950s. Table 3 compares the adjustments made in slaughter, size of calf crops, per capita consumption, beef prices, and producer returns so far in the current shift from the rapid growth stage to the deceleration stage to the adjustments made in these same variables during the first

3 years of deceleration stage of the 1950s. A comparison of the data in these two periods suggests some similarities and some differences between the two cycles. Apparently, the jump in cow slaughter that occurred during the 1st 18 months of this deceleration stage was somewhat greater than that which occurred 20 years ago. However, total cattle slaughter has not increased as rapidly this time. This is because: (1) there was a large drop in cattle feeding between 1973 and 1975, and this has significantly delayed the sales of steers and heifers that normally go through feedlots; (2) death losses have increased significantly (7 million in 1975 vs. 5.1 million in 1972) during this same period, compared to stable death losses in the like period in the 1950s; and, finally, (3) feeder cattle supplies dropped more rapidly because of higher calf slaughter rates and a larger relative drop in feeder imports.

Adding cattle and calf slaughter together and dividing by the appropriate Jan. 1 inventory number gives a ratio of total slaughter to inventory. This ratio has not increased as much as it did in the 1950s because of the relatively small increase in cattle slaughter.

A study of the data comparing these two deceleration stages suggests that producers in the beef cow sector hit the brakes much harder and, thereby, put a quicker stop to the growth in cattle numbers in this deceleration stage than they did in the like period 2 decades ago. In fact, 1975 calf crop numbers had to be revised downward from earlier estimates which had placed them above the 1974 numbers. This downward revision apparently stemmed from these factors: (1) higher cow kill than expected during 1975; (2) a lower calving percentage due to poor nutrition in the wake of a high priced short feed crop; and (3) a lower calf crop due, in part, to the high number of first-calf heifers in the cow herd.

The per capita beef consumption increase during this deceleration stage is, to date, much less than the one of 2 decades ago. This is primarily due to the much greater significance that cattle feeding presently plays in the total beef industry and to the large jump in feed prices. For the mid-1950s, only about 42 percent of all cattle slaughtered went through feedlots, compared to 77

Table 2. Return over feed costs—Southwest Farm Management Association*

	Cattle feeding	Cow herds
	$/cwt. gain	$/cow
Rapid growth stage		
1950	$ 17.09	$151
1951	13.00	167
1952	—2.45	37
Deceleration stage		
1953	—6.50	—39
1954	5.18	1
1955	1.07	—8
1956	4.55	—7
Rapid growth stage		
1961	2.48	23
1962	6.18	28
1963	— 6.09	20
Deceleration stage		
1964	1.38	12
1965	7.12	11
Rapid growth stage		
1971	12.65	48
1972	12.26	106
1973	7.54	106**
Deceleration stage		
1974	—21.16	—139
1975***	8.77	—77

*Source: Annual reports of Southwest Farm Management Association, Truman Nodland, et. al.
**Sales and feed costs were both higher, but return over feed was same as in 1972.
***Cowherds still did not cover feed costs, while great variation existed in returns to cattle feeders, depending on timing of purchase and sales.

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percent in 1973. The 11 percent drop in fed cattle marketings in 1975, plus the 8 percent drop in fed cattle marketings in 1974, add up to a substantial shift from fed cattle slaughter to the slaughter of cattle which do not go through feedlots. Therefore, average dressed weights of all cattle was only 579 pounds in 1975 vs. 626 pounds in 1973, a drop of 8 percent. This, plus the relatively larger shift to calf slaughter in this cycle, accounts for the rather small increase in per capita consumption observed during the 1st 18 months of this deceleration phase (only 7 percent vs. 32 percent).

The biggest difference between these two cycles is in the change in choice beef prices. Choice beef prices actually *increased* during the 1st 18 months of this deceleration stage, in contrast to an average decrease of 29 percent for the like stage in the 1950s. Again, the primary explanation of this countercyclical increase in choice beef prices comes from the sharp cutback in the marketings of fed cattle the past 2 years. Until consumers and merchandisers adjusted to this big shift in the type of beef being of-

fered, choice beef prices remained unusually high relative to all other classes of beef.

All other grades of cattle brought lower prices during the past 21 months than during the rapid growth years. Cow prices have been lower; feeder prices have been lower; lower-grade steer and heifer prices have been lower. In fact, the differential between the prices of choice and good grade steers reached a record of $7-$8 per cwt. during summer 1975, compared to a typical difference of only $1.50 between these two grades. Therefore, if the measure used were "average steer prices" rather than "choice steer prices," the expected decrease would be observed. (Because of the large drop in the proportion of cattle that went through feedlots—from 77 percent in 1973 to 51 percent in 1975 —this may have been a more appropriate measure.)

Another reason for the better performance of choice steer prices thus far in this deceleration stage is that reduced hog numbers have helped alleviate the problem of increased total beef supplies. Pork consumption in 1975 was only 54.8 pounds

per person, fully 25 percent below the 73 pounds per person consumed in 1971. By contrast, pork consumption was actually increasing at the same time as was beef during the 1950s, going from 63.5 pounds per person in 1953 to 67.3 in 1956.

Finally, the double-digit inflation of the past 2 years must be considered. To offset the declining purchasing power of the dollar, beef prices would have had to have moved up faster than did inflation rates. Although the nominal dollar value of choice steers was slightly higher in 1975 than in 1973, the purchasing power of those dollars was about 23 percent lower in 1975, bringing the real price of the past 18 months below the real price paid for choice beef during the rapid growth stage. (By contrast, the Consumer Price Index did not increase between 1953 and 1955).

The percentage drop in feeder cattle prices during the current deceleration stage is similar to the drop 2 decades ago (36 percent vs. 39 percent). Considering the declining purchasing power of the dollar, the drop has actually been greater, thus far, in this cycle than in the 1950s.

Table 3. Average annual cattle slaughter, beef consumption, beef prices, and returns to producers during the rapid growth stage years vs. the deceleration stage years of the cattle cycle of the 1950s compared to the 1970s.

Measure	The 1949-57 cycle			The 1967-77 cycle		
	Rapid growth stage	Decelera-tion stage	Percent change	Rapid growth stage	Decelera-tion stage	Percent change
	1950-52	1953-55		1971-73	1974-75[7]	
	—Annual averages—			—Annual averages—		
Federally Inspected cow slaughter[1]	4.1	6.2	+50	5.6	9.0	+60
Cattle slaughter[1]	18.1	25.2	+40	35.3	40.8	+16
Calf slaughter[1]	9.6	12.8	+33	3.1	4.8	+53
Cattle & calf sl.-inventory ratio	.34	.40	+18	.32	.35	+9
Calf crop[1]	36.3	42.0	+16	47.8	50.6	+6
Consumption/person [2]	60.5	80.0	+32	112.8	120.6	+7
Choice steer prices[3]	32.05	22.79	−29	38.30	43.42	+13
Good-choice feeder prices[3]	33.14	20.34	−39	47.79	30.61	−36
Feedlot returns[4]	9.21	−3.54	−138	10.82	−6.24	−160
Per cow returns[5]	118.	−15	−113	89.	−108	−221
Net cattle imports[6]	271.	176.	−35	915.	279.	−70

[1]In millions of head.
[2]Pounds of carcass beef consumed per person.
[3]Average choice steer prices at Omaha and average good to choice feeder calf prices at Kansas City.
[4]Returns over feed costs per cwt. of beef produced from table 1.
[5]Returns over feed costs per beef cow from table 1.
[6]Live cattle imports minus cattle exports in thousands.
[7]Data shown for 1974-75 are based on the 18-month period July 1, 1974, through Dec. 31, 1975, except the return figures which are 2-year averages since sales from Minnesota feedlots and cow herds are typically made in the last half of the calendar year.

In the 1950s, feedlot operators suffered losses for 4 years in succession from 1952-1955. In the current cycle, they suffered losses for 18 months from October 1973 to May 1975. Then they enjoyed 8 months of profit—putting over one-half of the feedlot records in the Southwest Farm Management Association into the black for 1975. However, losses started again in early 1976 and continued until late April when choice beef prices got back over $42. Fed cattle prices may stay in the mid 40s for only a few months between May and August and then decline under pressure of larger meat supplies this fall. If so, feeders purchased during this period will also show losses, making 1976 another poor feeding year. Thus, average feedlot returns for the 3-year period 1974-76 will probably still be negative, just as they were in the 1953-56 period.

Cow herds have already shown large losses for 2 years. They showed losses for 4 years in the 1950s. If drought comes this year, with subsequent low feeder prices, large losses will be sustained again by the cow-calf section. Good weather could permit feeder prices to remain in the mid 40s this fall; this would enable

cow herd owners to at least cover feed costs in 1976.

Imports of live cattle—mostly feeder animals—dropped off quite sharply in both periods when feeder prices were low in this country. Feeder imports, like beef imports, tend to dampen the magnitude of price swings by increasing when U.S. beef prices are relatively high and by decreasing when prices are low.

Outlook for 1976
Using the cattle cycle of the 1950s as a model, we must conclude that the U.S. beef industry still has substantial adjustments to make in 1976 and 1977. Because cattle numbers peaked in 1975 and the cycle of the 1950s peaked in 1955, the change that occurred between 1955 and 1956 might be a good base to study possible adjustments that could occur during 1976. However, important moderating influences may include: (1) the changing makeup of cattle slaughter expected in 1976, with the large increase in fed cattle marketings relative to nonfed; (2) the more substantial cutback in cattle numbers during 1975 than during 1955; and (3) the unknown weather in 1976, with its subsequent impact on feed prices.

With these reservations in mind, the numbers in table 4 can be examined and interpreted. The numbers for 1976-78 show what would happen to some important economic variables if this deceleration stage followed the identical pattern as the deceleration stage of the 1950s.

The average corn price declined by about 15 cents a bushel between 1955 and 1956, down to $1.22 farm price. A similar reduction in the corn price this year would put Minnesota farm prices at $2.32, compared to the $2.60 average received in 1975. Such a drop is realistic if a normal feedgrain crop is expected in 1976, both in the United States and around the world. However if Russia has problems again this year (as now appears possible) and if drought hits in the western Corn Belt, corn prices would equal or surpass 1975 levels.

Cattle and calf slaughter increased slightly over 3 percentage points in 1956 over 1955. The increase is expected to be considerably more than that in the first half of 1976; however in the last half of this year, slaughter levels could drop to near 1975 if summer rains come on schedule. If the rains do not come and the drought worsens, cattle slaughter could be even higher late summer and fall of 1976 than in the first part of the year. Therefore, expectations for beef supplies and prices for late 1976 hinge strongly on the likelihood of the drought improving vs. getting worse.

Per capita consumption in 1976 would increase to about 125 pounds per person if we had a similar increase over year-ago levels as occurred in 1956. This, again, is a realistic expectation given fairly normal weather and cattle slaughter in the last half of this year. However with worsening drought conditions and higher feed prices, supplies would be considerably higher in late 1976 and per capita consumption could reach 127 pounds per person.

Feeder cattle prices declined slightly in the 2nd year of the liquidation phase 2 decades ago. However, this is unlikely in 1976 unless year-end prices are severely depressed because of high feed grain prices and low forage supplies relative to herd needs. If more severe drought does result in those conditions, feeder prices could be expected to drop about $10 from April

Table 4. Corn prices, cattle slaughter, cattle numbers, consumption and prices in 1955-58 compared with 1975 and projections for 1976-78 if similar economic adjustments are made.*

		1955 vs. 1975	1956 vs. 1976	1957 vs. 1977	1958 vs. 1978
Corn prices, bu.	1950's	$ 1.37	$ 1.22	$ .91	$ 1.01
	1970's	2.60	2.32	1.73	1.92
Cattle and calf slaughter	1950's	39,451	40,754	39,421	34,106
	1970's	46,859	48,407	46,824	40,510
Inventory, Jan. 1	1950's	96,592	95,900	92,890	91,176
	1970's	131,826	127,976	123,959	121,672
Calf crop	1950's	42,112	41,376	39,905	38,860
	1970's	50,426	49,545	47,784	46,533
Per capita consumption	1950's	82.0	85.4	84.6	80.0
	1970's	120.1	125.1	123.9	117.0
Choice steer prices	1950's	22.16	20.99	22.61	26.39
	1970's	44.61	42.25	45.50	53.10
Good-choice feeder prices	1950's	21.04	19.57	23.36	31.68
	1970's	30.85	28.70	34.25	46.45

*The numbers shown for 1976, 1977, and 1978 were derived by applying the same percentage change from the previous year as occurred during the 1950s. These are **not** our current projection, but simply provide one starting place for analysis.

levels to near the low to mid 30's for good to choice steer calves. However with better weather, an expectation could be justified for feeder price levels to be near or slightly below late April prices. ($40 to $45).

Choice steer prices will also be influenced by weather and feed prices, but not nearly as dramatically as feeder cattle prices—at least in the short run. The biggest impact on choice beef prices will come from changing levels of cow and grass-fed cattle slaughter. Reduction in the slaughter of these cattle during April, May, and June is expected to decrease beef supplies enough to permit choice steer prices to get back into the mid $40s. In fact, near mid-year choice steer prices could get back near the $50 mark. However, we think that any such price levels would be quite temporary and have been, since last fall, suggesting planning prices in the neighborhood of $44 to $45 for May, June, and July. After midyear, choice cattle prices will probably turn down again under pressure of expanded marketings of both fed cattle and cattle from the range. The more severe the drought becomes,

the greater will be marketings of cattle directly off grass. And if the drought materially affects feed grain production, feedlot demand will be decreased and a larger proportion of two-way cattle will go to slaughter rather than to feedlots. This adds up to a rather depressing price outlook, with the possibility of choice steer prices being in the mid 30s again before the end of 1976. On the other hand, if both grass and grain production is normal or better this year, choice cattle prices could be expected to hold in the low 40's for the last quarter of the year.

Conclusions

Cattle numbers will decline further during 1976. Some analysts think that, because of the large reduction in cattle numbers during 1975, numbers will level off already this year. However, history suggests that once beef producers decide to "decelerate," they keep the foot on the brake until better returns are assured. That state has not yet been reached.

Choice steer prices will rise and be fairly strong through spring quarter as new grass relieves market-

ing pressures. However, choice prices this fall will probably not be high enough to justify the high spring bids on feeders.

We are concerned about the higher-than-normal chances for the drought to worsen this summer. Soil moisture reserves are low in the western Corn Belt and in the important cattle-producing southern plains area. The March 25 *Wall Street Journal* quoted several weather experts who "see signs of gloom for 1976 crop prospects." These experts included the president of Weather Trends Inc., a New York consulting firm, who sees "reduced crop production in the U.S. and another very bad year in the Soviet Union."

Therefore, it is a year when caution is necessary. High spring prices might well be capitalized upon by feeder producers by culling cow herds and moving yearling feeders out if there appears to be much chance for feed shortages in their area. Otherwise, there is a chance that the expected spring price rise could generate the same type of "buy and hold" attitude that prevailed in summer 1973. Remember what that led to.