



Beef Outlook Information

JUN 15 1966

BEEF MARKET SITUATION

The first quarter of 1966 developed as expected. Total beef production increased 4 percent over a year earlier, with most of the increase developing in fed beef. On a class basis, fed marketings expanded 6 percent, cow slaughter went up 16 percent, and non-fed steer and heifer slaughter declined 5 percent.

Average prices for choice steers for the quarter remained \$3 to \$4 per hundredweight (cwt.) above a year earlier. However, they went through some adjustment (see table 1).

Table 1. Average price per cwt., choice steers, Chicago, 1965-66

Month	Price per cwt.	
	1965	1966
January	\$24.28	\$26.87
February	24.02	27.79
March	24.31	29.22
April	25.63	27.98

After a sharp rise to almost \$30 per cwt. in early March, choice steer prices dropped to \$27.14 per cwt. in the last week of April. Nevertheless, this price was still above the \$25.80 price registered for the same week a year earlier.

The \$1.50 drop during the last 2 weeks of April probably was caused as much by expectations based on the April 1 *Cattle on Feed Report* as by increased marketings. Therefore, the drop probably was greater than it should have been and may have carried prices to their low point for the year.

CATTLE ON FEED

The record number of cattle reported on feed as of April 1 was enough to shake the confidence of feeders and packers alike. The 13-percent increase in the total number of cattle on feed

indicated an even greater rush "to put every available feeder on feed" than was expected previously.

Placements of cattle on feed jumped 76 percent over year ago numbers in four southern plain states: Kansas, Oklahoma, Texas, and New Mexico. Iowa showed the largest absolute increase in placements—up 247,000 head over the first quarter of 1965, a 35-percent increase. Total placements in 32 states were up 24 percent over the last winter quarter.

Placements in Minnesota increased only 8 percent. But, since first quarter marketings were under a year ago, total numbers on feed were up 12 percent on April 1.

A review of the January 1 livestock inventory, as reported by the U. S. Department of Agriculture, removes some of the scare from the April 1 *Cattle on Feed Report*. This inventory showed that, compared to a year ago:

- Total cattle numbers in the United States were down about 600,000 head.

- Numbers of total cows and heifers over 2 years old were down about 1,100,000 head.

- Total steer and heifer numbers were only slightly higher. Steer numbers were up 680,000; heifer numbers were down 500,000.

- Total calf numbers were up only 360,000.

In contrast to the above figures, the April 1 *Cattle on Feed Report* showed increases of 620,000 steers and 470,000 heifers on feed compared with April 1, 1965. This contrast supports our observation in our last newsletter that "feedlot operators (would) attempt to put every available feeder on feed." Obviously, the number of heifers not on feed must be greatly reduced because heifer placements remained heavy even in the face of a reduced supply.

The high count on feed does not change the basic cattle supply situation upon which we base our outlook predictions. Rather, it indicates that heifer slaughter will continue heavy and that a relatively high proportion of total

steer and heifer slaughter will be of feedlot-finish quality in 1966. Therefore, the increase in total steer and heifer beef will be much less than the April 1 *Report* suggests.

This shift to placing a large proportion of all steers and heifers into feedlots is simply an acceleration of a long developing trend (see table 2).

Table 2. Total estimated U.S. steer and heifer slaughter compared with total estimated U.S. fed cattle marketings, 1955, 1960, 1965, and 1966

Year	Total steer and heifer slaughter	Fed cattle marketings	"Feds" as percent of total
	million head		percent
1955	16.7	10.8	62
1960	19.7	13.3	68
1965	24.0	17.8	75
1966*	24.5	19.0	78

*Projected

In the past 10 years, the proportion of total steer and heifer slaughter that came through feedlots increased from 62 to 75 percent. When the outlook is bright for cattle feeding, feedlot capacity and activity can and do increase rapidly. Therefore, this proportion will be even higher during 1966.

Table 3 shows the number of cattle on feed, in weight groups that will be marketed about the same time, in 32 states.

Table 3. Cattle on feed in 32 states on April 1 by weight groups, 1964-66

Weight group*	Number on feed			Percent change 1965-66
	1964	1965	1966	
	thousands			percent
S over 900				
H over 700	3,215	2,779	3,357	+21
S 700-899				
H 500-699	3,056	3,107	3,489	+12
S 500-699				
H under 500	1,971	2,204	2,296	+4
S under 500	338	339	356	+5

*S=steers; H=heifers.

Note that the large numbers of "two-way" cattle that went back to

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feedlots early in the year have greatly swelled the heavy weight cattle group. Since the number of cattle on feed for over 3 months increased by only 5 percent, many heavy weight feeders probably went on feed during the first quarter. Because of the relatively late placement of this group, fed cattle marketings may increase only about 10 percent during spring quarter rather than the 21 percent that might be projected from table 3 data.

However, declines in the slaughter of nonfed steers and heifers may hold the increase of total steer and heifer slaughter to a modest 5 percent during April-June.

PRICE PROSPECTS

May and June prices will be variable. Industry expectations generally are for decreased prices; consequently, buyers will be cautious. However, basic supply-demand relationships can move prices in an upward direction, so long as average weights are held down. Somewhat sporadic price fluctuations during the next month or two could result.

Which forces will win out is anyone's guess, but we'll predict stable to increasing prices from early May levels. If this happens, the May-June choice price average could be somewhat above the \$27.14 registered for the last week

of April. Consequently, we are leaving our price predictions essentially the same as in our last report (see table 4).

Table 4. Expected change in steer and heifer beef production and in choice steer prices at Chicago, 1965-66

Period	Percent change in steer and heifer beef production	Choice steer prices	
		1965	1966
Jan.-Feb.	+2	\$24.15	\$27.35
Mar.-Apr.	+3	24.90	28.60
May-June	+6	27.25	27.50
July-Aug.	+5	27.05	28.00
Sept.-Oct.	+2	26.90	29.50
Nov.-Dec.	+4	26.50	29.00

FEEDER SITUATION AND OUTLOOK

Despite some weakness in the fed cattle market this spring, feeder cattle prices have remained rather strong. In late April, prices were from \$4 to \$5 per cwt. above 1965 April prices. These prices reflect the strong demand for feeders based on relatively high future slaughter price expectations.

With some increase expected in the fed cattle market this summer and fall, demand for feeders will continue strong this fall. Also, a decline in feeder supplies is expected from a year ago.

Therefore, prices will be well above fall 1965 prices. Current indications point to \$30-\$33 per cwt. for steer calves and \$27-\$29 per cwt. for yearlings.

MANAGEMENT IMPLICATIONS

1. Do not carry cattle to excessive weights. Feed costs will rise rapidly and market prices could decrease.

2. Check markets closely before selling. Variations between markets and between days in the week may be greater than usual during this spring.

3. As expected, prices of live beef futures rose with the cash market and then dropped sharply. Currently, they have overadjusted to the scare factor in the *Cattle on Feed Report* and do not offer much of a hedge opportunity. If expectations are actually for \$26.20 cattle in October, feeder cattle prices should be below current quotations to cover all expenses.

4. If May-June slaughter prices remain in a state of flux, watch for opportunities to buy replacement cattle.

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