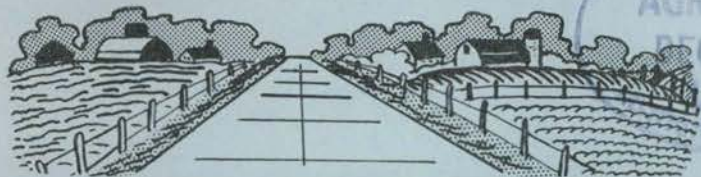


Minnesota Farmers



BEEF CATTLE

AGRICULTURAL EXTENSION SERVICE • UNIVERSITY OF MINNESOTA • INSTITUTE OF AGRICULTURE

AT A GLANCE: The cattle cycle is well into the expansion phase. Steer and heifer numbers have made record increases. Increased slaughter in 1960 will result in slightly lower prices. Unless feeder prices decline from present (Sept. 1) levels, most cattle feeders can expect below average labor returns. Cautious buying is especially important on lower grades and long-fed calves.

SITUATION

Table 1 indicates that the expansion phase of the cattle cycle is in full swing.

Table 1. U. S. cattle on farms, January 1

	1956	1957	1958	1959	1960 (est.)
Beef	million head				
Cows	25.5	24.8	24.3	25.5	27.4
Heifers	6.2	6.0	6.1	6.8	7.6
Calves	19.0	18.6	18.5	19.7	21.8
Steers	9.6	9.1	9.4	10.2	11.2
All dairy	34.7	34.3	33.4	32.8	32.2
All cattle	96.8	94.5	93.4	96.8	102.0

Table 2 shows that the distinguishing features of the current build-up phase compared to previous cycles are the rapid rate of build-up and the more rapid expansion of younger animals.

Table 2. Change in cattle numbers during first 2 years of expansion phase of cycle

First 2 years of cycle	Percent change in numbers				
	Total	All cows	Beef heifers	Steers	Beef calves
1928-29	6.4	3.3	9.0	2.8	12.6
1938-39	4.7	2.9	9.8	-4.9	8.8
1949-50	6.8	5.8	10.0	-3.4	19.0
1958-59	9.3	4.0	26.2*	18.5*	17.9

* Note the very large increase in steer and heifer numbers relative to other cycles.

OUTLOOK

A 5 million increase in cattle numbers is expected during 1959. This double the rate needed to keep pace with population growth.

Comparisons with previous cycles indicate that: 1) An earlier price decline can be expected because of the rapid build up of slaughter steers and heifers. The decline is expected to start next year instead of in the 4th year of the cycle -- which has been typical. 2) A sustained overload of cattle marketings is not possible in the next year or two since cow herd expansion has been modest.

Marketings will increase seasonally and be above a year earlier for the next couple of months. Marketings of fed steers will remain large. Cow slaughter is expected to continue low.

Cattle slaughter will likely turn upward in 1960 and may exceed 1959 by 8%. Steer and heifer inventories are large enough so that some increase in fed cattle is almost certain. Cow and calf slaughter should increase also.

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Average slaughter weights in 1959 will be at a record high. Average weights in 1960 may be reduced somewhat due to larger marketings of non-feds.

Reports of cattle on feed in 13 states July 1 show 4.7 million head, 10% above year earlier levels. This is a record volume. While intentions to market during July, August, and September were 25% over the same period last year, past experience indicates that the actual increase in marketings of fed cattle will be up by about 10%. This means that marketings during the Oct., Nov., Dec. period will be somewhat higher than indicated by the July 1 report.

Prices normally rise during the early years of an expansion in cattle numbers. Prices of feeder cattle and lower grade slaughter animals usually advance the most. From 1956 to 1958 feeder prices increased 30-40%, lower grades - 23 to 29%, higher grades - 8-15%. As prices decline, classes which increased the most will, in drop the most.

The 1959 beef calf crop is expected to total 41,328,000 head -- up 2% over 1958.

Range conditions are reported to be poorer than a year earlier. Pasture is less plentiful but grazing is generally adequate. Hay is of good quality but yields were lower. Drought conditions exist in parts of the northern plains and the extreme southwest. Dry conditions and lower feed reserves could cause an earlier fall movement of feeders at lighter weights.

Table 3 compares labor returns realized last year for two typical feeding programs with estimated returns for the coming year.

Table 3. Labor returns per head

	Gd.-ch. calves 400-1,000#	Gd.-ch. yrlngs 650-1,150#
1958-59		
Purchase price	\$35	\$28
Sales price	26.50	28
LABOR RETURN	18	37
1959-60		
Purchase price	35	29
Est. sales price	25	26
LABOR RETURN	6	7

Table 4 shows the projections of cattle numbers and per capita supplies of beef under two rates of expansion for 1959-64.

Table 4. Cattle numbers and beef per person

Year	Inventory	Beef
	Jan. 1	per person
1956 (peak year)	96.8	85.4
1959	96.9	80.5
Projected on basis of rapid expansion		
1961	106	86.3
1963	113	90.0
1964	115	94.5
Projected on basis of slowing expansion		
1961	105	85.0
1963	110	90.0
1964	110	90.0

If the present rate of expansion continues, a severe cyclical decline in prices and very unfavorable profits in the cattle business will occur by 1962-64.

Little change is expected in cattle prices for the last half of 1959. However, with increased cattle and hog slaughter in view for 1960, prices will be weaker. They will likely average \$1-2 lower than 1959. Also, grade differentials may be greater than in the past two years.

Supplies of feeder cattle, both calves and yearlings, should be more plentiful this year.

The above forces -- lower slaughter prices, heavier supplies, and poorer range conditions -- will exert downward pressure on feeder prices. However, typically at this stage of the cycle these forces are almost completely counteracted by the "boom psychology" that exists. This adds up to an expectation of feeder prices similar to those of a year ago.

Unless feeder prices decline from Sept. 1 levels, the average cattle feeder will make little or no profit in the year ahead. However, margins should cover feed, interest, and cash costs.

For management considerations, see "Planning Your Cattle Feeding Program," FM-9 by Hal Routhe and Paul Hasbargen.