SEPTEMBER 1960

What's AHEAD for Minnesota Farmers

BEEF CATTLE

AGRICULTURAL EXTENSION SERVICE • UNIVERSITY OF MINNESOTA • INSTITUTE OF AGRICULTURE

AT A GLANCE: The cattle cycle is in the third year of the expansion phase. The number of cattle and calves on farms on January 1, 1961 is expected to reach 105 million head. A 5-10% increase in slaughter in 1961 will again result in prices ranging $1.50-2.50 lower. With present feeder price levels, most cattle feeders can expect fair to average labor returns. Cautious buying will again be necessary on lower grades and long-fed calves.

SITUATION — OUTLOOK

THE CATTLE CYCLE

Situation

. The expansion phase of the present cattle cycle began in 1958 after only a two-year decline. Cow numbers increased 4% during these 2 years despite very low heifer replacement rates. The low heifer replacement rate made available a record number of heifers to feedlot operators. These heifers were promptly placed on feed along with high numbers of steers, resulting in an exceptionally large increase in the heifer and steer inventory on January 1, 1960. In contrast to the 4% increase in cow numbers, heifer numbers were up 26% and steer numbers 19%.

. During the first half of 1960 steer and heifer slaughter ran about 12% over year ago levels. Calf slaughter is currently running 10% higher than at this time last year but, for the year to date, is about 6% above. Cow slaughter has also shown gains of 6-7% from last year's very low levels.

. The number of cattle on feed has been higher than 1959 in each quarter. This year they were up 9% on January 1, 8 % on April 1, and 4% on July 1. However, on July 1, the number of cattle on feed weighing over 700 pounds was below year ago levels. Also, sales of feeders in this weight group at the 10 major markets was below last year levels during June and July.

. Beef imports are running considerably below last year and will amount to about 5% of the total beef supply in contrast to 8% in 1958 and 1959.

. The heavier marketings of all classes of cattle during 1960 pulled slaughter prices down about $2.00 from 1959 levels.

Outlook

. The number of cattle and calves on farms on January 1, 1961, is expected to be about 105 million head. This increase of 3 million head would be somewhat smaller than the 4.9 million increase during 1959.

. Barring unforeseen developments the next two years will bring a continuation of present trends — increased cattle numbers, heavier supplies of slaughter cattle and weaker prices. Expansion of cattle numbers should taper off at about 110 million head. The lower prices at that time (1963-64) will bring the cattle cycle into the declining number phase.

. Fed cattle marketings will be about equal to last year for the remainder of 1960. However, marketings of cows, calves and grass fat animals will remain above last year's levels. Thus, total slaughter will be up and prices down somewhat. Prices for finished cattle, however, should increase from present (August) lows. This appears probable in light of the cattle on feed reports, improved demand and decreased hog marketings.

. The level of cattle feeding is expected to remain high in the coming year. Slaughter during 1961 will run 5-10% above 1960 levels. This will result in a further price reduction of from $1.50-$2.50 cwt. on slaughter cattle.

(Continued on back)

SITUATION | OUTLOOK

SUPPLY AND PRICE OF FEEDERS

. The 1960 calf crop was 1% larger than that of 1959. However, beef type calves were up about 4%. Beef calves accounted for 56% of the calf crop in 1960 compared to only 41% in 1950. Thus, the potential for increased beef production has been growing at a faster rate than indicated by yearly calf crops.

Since the placement of calves on feed last fall was below 1958 levels and the inshipment of stockers and feeders into the 8 corn belt states was 11% under 1959 levels during the first six months of 1960, there should be a good supply of yearling cattle on farms and ranches. However, if the cow herd is to be larger in 1961 a larger number of heifers will have to be used as replacements than in 1959-60 since cow slaughter has been on the increase.

. High temperatures and light rainfall in July and early August had serious effects on the grazing conditions in 14 of the 17 western states. Ranchers in these states face the prospects of early marketings of cattle and sheep as well as the highest wintering costs since 1956-57.

. More feeder cattle will be available for feedlot replacement this fall.

. Unless early frost hits the cornbelt, feeders in this area will not be over eager to buy cattle this fall. Returns from cattle feeding the past two years have not been especially encouraging and all conditions point to lower slaughter prices again in 1961. Since feed and other costs of cattle feeding will be about as high as last year most corn belt farmers will be cautious about filling their feedlots this fall — especially with feeder calves.

. Heavier supplies, average to poorer range conditions, and the cautious attitude of feeders all point to considerably lower feeder cattle prices this fall compared to a year ago. Feeder calves in September and October should be \$6-\$8 below the same months last year and yearlings \$4-\$5 below.

. With increasing cow numbers the 1961 calf crop should be 3-4% higher than 1960. This would increase calf slaughter and feeder and stocker supplies in 1961.

PROFIT PROSPECTS

Table 1. Comparative Labor Returns Per Head

	GD-CH Calves 400-1000 #		GD-CH Yearlings 650-1150 #	
	early purchase	late purchase	early purchase	late purchase
1959-1960				
Purchase Price	\$34.00	\$29.00	\$31.00	\$26.00
Sales Price	23.50	23.50	26.50	25.00
LABOR RETURN	4.00	24.00	7.00	21.00
1960-1961				
Purchase Price	26.00		25.00	
Sales Price	22.00		23.50	
LABOR RETURN	11.00		12.00	

. If the present expansion in cattle numbers continues in an orderly manner and feeder prices are not bid to higher levels there are opportunities for fair to average returns for the cattle feeder in the year ahead. However, if a combination of poor feed conditions on the ranges and pessimism on the part of ranchers results in a heavy movement of cattle into feedlots, sharper slaughter price reductions than expected could wipe out any anticipated returns.

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