



SITUATION AND REVIEW

The Cattle Statistical Reporting Service (SRS) of the U.S. Department of Agriculture recently reported revisions in cattle inventory numbers since 1960, the beef industry became concerned. The January 1 inventory for a year ago was revised upwards by 2.3 million head—1.8 million of this increase being in beef cows.

These new numbers are in line with the expanded cattle marketings of recent years. It was getting increasingly difficult to answer the question, "where are they all coming from?" The major adjustment in inventory numbers explains the situation quite simply.

But not so simple is the answer to the question, "why have SRS estimates of most livestock numbers been less dependable in the recent past?" Unfortunately, some producers have attempted to distort these estimates. They have tried to mislead their colleagues into distorting and even doing away with some existing government reports. They mistakenly believe that farmers would be better off without these estimates. Before coming to such a conclusion, these people should consider the following questions:

1. If such reports are eliminated, who would have the most complete information on potential market supplies—*buyers* or *producers*? The relative difference probably would favor the buyers even more than it does now.

2. Who, finally, would pay the cost of collecting data and making supply estimates for product buyers? As with many marketing costs, it could be passed back to producers.

3. How would the small producer average out relative to others in the industry if product prices fluctuated seasonally even more than they did in recent years due to an inefficient reporting system?

Rather than destroying or distorting estimates, Minnesota cattle feeders should consider having monthly cattle on feed figures for the state. Minnesota may now be the largest cattle feeding

state without monthly estimates. Iowa started this system a year ago; five large feeding states in the southwest have had monthly reports for several years. Feeders in western states have demonstrated the great value of this added information by adjusting numbers and weights more rationally and rapidly than have midwestern feeders.

The adjusted SRS figures also partially explain the big beef price boom that appeared to be building and then burst. There was no liquidation during the past 2 years that would have led to a beef shortage and sharply higher prices. The new numbers agree with other facts, especially with the continual increase in heifer replacements on feed. This situation was so hard to justify before with the fairly good feeder prices of last year. Although the stage is still set for improved beef prices, the increase will be more moderate than that suggested by earlier cattle number counts.

MARKETINGS

During the first quarter of 1967, fed cattle marketings were up 8 percent from a year earlier in the north-central states. (In contrast, feeders in the western states reduced marketings of fed cattle.) After little change from year-ago levels was shown for January and February, feeder inshipments finally decreased 10 percent in March in the north-central states. Also, slaughter weights appear to have reversed directions. *These two indicators probably mean that the bottom has been reached in fed cattle prices; slight improvements can be expected in late May and June.*

Table 2. Quarterly marketings of fed cattle in 32 states for 1965, 1966 and expected marketings in 1967

Quarter	1965	1966	1967
	thousand head		
Jan.-Mar.	4,752	4,983	5,275
Apr.-June	4,641	5,165	5,500
July-Sept.	4,698	5,189	5,225
Oct.-Dec.	4,627	5,008	5,200
Total	18,718	20,345	21,200

CATTLE ON FEED

If the figures in the April 1 *Cattle on Feed Report* are taken at face value, the pressure of heavy cattle marketings may let up if the heavies were worked off in April. Table 1 shows the cattle on feed by weight groups. Except for the heaviest weight group, numbers are about equal to a year ago but the mix has changed to proportionately more steers.

According to this information plus the beginning inventory of cattle on farms on January 1, fed cattle marketings will be at their highest in history during the spring quarter. Our estimates of fed cattle marketings in 32 states are shown in table 2. Despite the increase in marketings expected each quarter, the changing trend in market weight will hold down beef tonnage. So prices will have a chance to increase. In fact, if this directional weight change does occur, choice steer prices may recover in May and June, moving up from the beginning of the quarter.

Consequently, our price outlook for the spring quarter has not changed since our last report; second quarter prices are expected to average \$1-\$1.50

Table 1. Number of steers and heifers on feed on January 1 by weight groups, 32 states, 1966-67

Weight group (pounds)	Steers		Heifers		1967 total as percent of 1966
	1966	1967	1966	1967	
	thousand head				
Under 500	390	368	423	332	86
500-699	2,084	2,219	1,434	1,401	103
700-899	2,312	2,349	984	897	98
900-1,099	1,966	2,082	244	332	109
Over 1,099	350	474	—	—	135
Total	7,102	7,492	3,085	2,962	103

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over first quarter prices. Since average choice steers at Chicago averaged \$24.95 for the first quarter, an average price near \$26.25 is expected.

Also, if the weight trend continues downward, price premiums for heavier steers will increase. At the same time, demand should grow stronger for choice lightweight heifers because heifer slaughter will be running below year-ago levels.

Third quarter prices may be the strongest of the year because:

1. Lower placements in March and April could result in below year-earlier marketings in July or August.
2. Weights may be running slightly below 1966 levels by then.
3. Demand for beef will be increasing.

These factors could bring top choice prices in the third quarter up from \$1 to \$2 above second quarter levels.

MANAGEMENT IMPLICATIONS

- If facilities are available, consider buying feeders now.

Table 3. Decreases in daily gain and feed conversion of cattle held longer than the weights indicated by 56-day periods

	Sold at low choice	Held beyond by		
		56 days	112 days	168 days
pounds				
Michigan, heavy calves, 928 pounds	- - - - -	- - - - -	- - - - -	- - - - -
Average daily gain	2.4	2.0	1.7	1.6
Feed per pound gain	8.7	9.0	11.7	10.9
Illinois, yearlings, 1,000 pounds				
Average daily gain	3.0	2.5	2.0	1.5
Feed per pound gain	7.7	9.5	12.0	17.0

- Watch the price of cattle futures during the next few months. If the price moves up enough to assure profits on fourth quarter sales, consider selling some of your feedlot cattle then on the futures market.

- Although higher finished cattle

may show relatively better prices, remember that both daily gains and feed conversions deteriorate as weight is added (see table 3).

- Remember that the above decline in performance is even more severe during hot weather!

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