Managing Our Future
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Beef Outlook Information

CATTLE ON FEED, OCTOBER 1

Cattle on feed were up 2 percent from 1966 on October 1, according to the Statistical Reporting Service's latest survey. The Service reported that fed cattle marketings were 2 percent over year-ago levels during the third quarter and that fourth quarter marketings also would be slightly higher than they were last year.

Inventories of cattle on feed by weight groups are shown in table 1. Note that the number of both steers and heifers on feed weighing over 700 pounds was less than a year ago. More lightweight cattle were on feed. The big increase in light cattle on feed occurred in Texas and bordering states. Two factors probably account for most of this increase: (1) These states are rapidly expanding feedlot facilities devoted largely to heifer feeding (Texas had 44 percent of the total 32-state inventory of heifers under 500 pounds on feed October 1) and (2) The dry Texas summer pushed some cattle into feedlots ahead of schedule.

This article was prepared by Paul R. Hasbargen and Kenneth E. Egertson, extension economists, on October 25, 1967.

SUPPLIES AND PRICES

Cattle marketings out of feedlots continued to run over year-ago levels through the third quarter. However, market weights dropped to year-earlier levels in August. With fed beef supplies coming closer to year-earlier levels, prices increased during the summer, reaching a peak in September (see table 2). Since then, prices have eased off somewhat, with choice steers at Chicago back near $27 by mid-October. The September average was $27.60 at Chicago, $26.78 at South St. Paul, $26.59 at Sioux Falls, and $26.38 at West Fargo.

Dressed meat prices were about $42 in southern Minnesota in mid-October—$2-$3 above year-earlier levels. However, byproduct values continue to lag behind year-ago levels primarily due to the sharply reduced price for hides.

Fed cattle marketings during the final quarter of 1967 should not be much different than a year ago, when 5 million head were sold in 32 states. If weights stay at year-ago levels, practically stable fed cattle prices are in prospect. If weights remain at the present light level, prices for heavy steers could be stronger.

Prices during the first half of 1968 should hold the level attained in late 1967, with the possibility of some added strength. Strength possibilities are based on a calculated yearling steer supply lower than a year ago. If this estimate is correct, steer and heifer slaughter during the first part of 1968 would be somewhat less than it was in early 1967. And if weights are held at equal or lower levels, total beef supplies will drop enough to permit additional price increases.

Table 1. Number of steers and heifers on feed on October 1 by weight groups, 32 states, 1965-67

Weight group	Steers 1965	Steers 1966	Steers 1967	Heifers 1965	Heifers 1966	Heifers 1967
	thousands					
Under 500 pounds	288	320	380	234	228	326
500-699	851	977	1,041	750	755	828
700-899	1,918	2,070	2,023	1,024	1,080	1,035
900-1,099	2,006	2,175	2,204	299	375	350
1,100 and over	342	420	363	......	......	......
Total	5,405	5,962	6,011	2,307	2,438	2,539

Table 2. Selected prices per 100 pounds of cattle by months, 1966-67

Month	Chicago Choice steers 1966	Chicago Choice steers 1967	Chicago Utility cows 1966	Chicago Utility cows 1967	Kansas City Good feeder steers (550-750 lb.) 1966	Kansas City Good feeder steers (550-750 lb.) 1967	Kansas City Choice feeder steer calves 1966	Kansas City Choice feeder steer calves 1967
	dollars							
January	$26.87	$25.25	$15.83	$16.98	$24.01	$23.36	$28.19	$29.69
February	27.79	24.92	17.72	17.92	25.40	23.44	30.96	29.69
March	29.22	24.67	19.51	18.00	26.57	23.08	32.45	30.01
April	27.98	24.66	19.70	17.74	26.26	23.26	31.27	30.25
May	26.75	25.46	19.54	18.51	26.39	24.97	31.80	30.75
June	25.49	25.88	18.83	18.89	25.37	25.04	30.90	30.75
July	25.41	26.40	17.86	18.37	23.91	26.08	29.02	30.75
August	25.85	27.22	18.37	17.79	24.78	25.20	29.81	30.93
September	26.11	27.60	18.46	17.44	24.88	23.96	30.21	30.16
October	25.50	......	17.52	......	23.74	......	30.09	......
November	24.94	......	16.53	......	23.55	......	29.71	......
December	24.50	......	16.40	......	23.06	......	29.31	......
Average	$26.29	......	$18.02	......	$24.83	......	$30.31	......

BEEF IMPORTS

A complex question being discussed today is what position should be taken on beef imports. Before arriving at an answer, cattle feeders should consider both the short and longrun effects of making import quotas more restrictive than they are at present.

Imported beef is almost a perfect substitute for cow beef, though it is much less of a substitute for steer and heifer beef. When cow slaughter declines, beef imports increase in order to fulfill the demand for beef used in manufactured meat products. Imports decreased in 1964 and 1965 as cow slaughter was increasing. However, cow slaughter has been running below year-earlier levels for the past year and imports have been moving up again. Beef and veal imports for the first 8 months of this year were 10 percent higher than they were in the January-August period in 1966. This increase probably caused cow prices to be about 40 cents lower and fed beef prices about 20 cents lower than they might have been had imports remained at year-earlier levels. Thus, in the short run, cattle prices can be improved by putting a tighter lid on imports.

But cattle feeders also should take a hard look at the longrun nature of the beef import situation before taking a stand. Some of the pertinent questions the feeder must ask himself include:

- Will restricted imports encourage widespread use of synthetic meat?
- Will restricted imports decrease the demand for high quality fed beef?
- Will restricted imports mean more fluctuation in beef cattle prices?

First, it should be realized that non-fed beef is becoming more and more a **byproduct** of the U.S. beef industry. As the U.S. dairy herd continues to decline, cow beef will become an even smaller part of total beef production, since beef cows normally have a longer herd life than dairy cows. Thus, unless there is an equivalent decline in the demand for nonfed beef products, supply sources other than cull cows must be developed. What these sources are and how they might be restrained from becoming too competitive should be of more concern to dairymen and beef-cowmen than to cattle feeders, since cow prices are affected by imports about twice as much as fed beef prices. Yet, all producers must realize that if imports are restricted, meat processors will be forced to turn to synthetic meat substitutes to meet the demand for processed meat products.

Demand for table cut beef moves up rapidly with personal income increases. Consequently, the beef industry has a real stake in maintaining a healthy, growing economy. Feeders should be concerned about the current wave of protectionism, since trade restrictions tend to retard economic growth and decrease real income, thereby decreasing the price consumers will pay for table cut beef.

Farm organizations have worked hard to develop government policies that will stabilize farm prices. When U.S. beef prices decrease, imports decline, thereby cutting beef supplies and helping to support prices. When beef prices increase, so do imports, thereby increasing supplies. And, to the extent that the range in import variation is reduced, the effectiveness of this mechanism as a damper on price fluctuations will be decreased. Therefore, although a lower level of beef imports would temporarily lift market prices, it would also increase price variability on U.S. produced beef.

MANAGEMENT SUGGESTIONS

1. Keep abreast of market information by reading these publications:

- *Livestock, Meat and Wool Market News, Weekly Summary and Statistics.* (Order from Livestock Division, Consumer and Marketing Service, USDA, Washington, D.C. 20250.)
- *Feedlot and Range Sales Reports.* (Order from Livestock Market News Service, 403 Livestock Exchange Building, Denver, Colorado 80216.)
- *Livestock and Meat Situation.* (Order from Economic Research Service, USDA, Washington, D.C. 20250.)
- *Cattle and Calves on Feed.* (Order from Crop Reporting Branch, Statistical Reporting Service, USDA, Washington, D.C. 20250.)

2. Plan to use higher concentrate rations now that feed grain prices are lower. High grain rations reduce feed costs when grain prices are low, and they almost always reduce nonfeed costs by speeding up feedlot gains.

3. Consider the income tax implications of decisions to sell cattle during the next couple months.

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