Steak on the Hoof

When rains broke the western drought in 1957, cattlemen began rebuilding their herds by withholding breeding stock. Cow-calf slaughter was reduced to the very low levels of 1951, and prices rose to the highest levels since 1951-1952, the peak-out point of the last cycle. There were intermittent periods of heavy sales during 1959, but numbers increased for the year. Total January 1 cattle population (beef plus dairy) reached 101.5 million, a record, and 4.9 million above a year earlier (Figure 1). The 1959-60 increase was not a record. The years 1951 and 1952 both saw 6-million head build-ups, and at one time there was talk of a 7-million head increase this year. However this is a lot of cattle. It means that the production base is large enough that we could have a near-explosive expansion, given sufficiently favorable conditions. Note the position of beef cows (Figure 2). The 1.8-million head increase last year came on the heels of a 1.2-million head expansion the year before. Number of cows two years old and older was up 7% while heifers were up 9%, meaning big calf crops next year and the year after.

Build-up in total numbers has been slowed in recent years by the decline in milk herds. Dairy cows over two years old were down 1% last year. However one- and two-year-old milk heifers were up 3%, and milk heifer calves were up 4%. This means beef prices will no longer get assistance from the decline in dairy animal sales. Wet corn in the Western Corn Belt, excellent grazing prospects in the range areas due to marvelous winter moisture, plentiful supply of cheap sorghums in the Southwest, and a big prospective corn crop have caused a brisk demand for stocker and feeder calves. It is doubtful that the cold March in the Midwest conditioned very much of the corn, and this increases the temptation to feed to heavier weights. These feeding incentives plus big potential calf crops point to further build-up in cattle numbers during 1960 and perhaps into 1961. In late 1961 or early 1962 the market is likely to turn sour. (The big bulge in slaughter begins when the calves produced during the plateau portion of the herd cycle are old enough to be killed.) In the last cycle choice steers (Chicago) were above $30/cwt. in 1951-52 and were above $35/cwt. a good part of this time. However, when the increase in cattle numbers fell to less than 1.5 million in 1953, slaughter picked up and prices broke sharply. Fat steers in the summer of 1953 sold for $8/cwt. below their cost as feeders in the fall of 1952.

The really serious potential in all this is that we might return to a drought condition. There is little doubt that grazing lands, which support the bulk of cattle numbers, can take even bigger herds than at present if weather does not turn dry. Drought would force sudden liquidation, a price depressant in any commodity situation. Another depressing possibility that we hope will be avoided is having both hog and cattle cycles go into liquidating phases at the same time. (It is too early to tell about this now.) Parallel liquidation has a very pronounced weakening effect as the portion of consumer income spent on meat is remarkably consistent in a prosperous society such as ours. This relative inelasticity is complicated by inability to adjust sales/demand adequately over the short term. Total calf-to-market and weanling pig-to-market periods are so long that intermediate adjustments to statistics are also difficult. Actually all is not entirely gloomy. There are some signs that the build-up—and the severity of the consequent later liquidation—might not fulfill the pessimists' guesses.

Reports that persistent warnings from U.S.D.A., college extension services, and farm publications that "a 'bust' could be coming" are sinking in. In recent years farmers have been paying more attention to this type of advice.

Feedlot operators and stocker operators have become wary because the market turned weaker last year whenever fed cattle marketings increased.

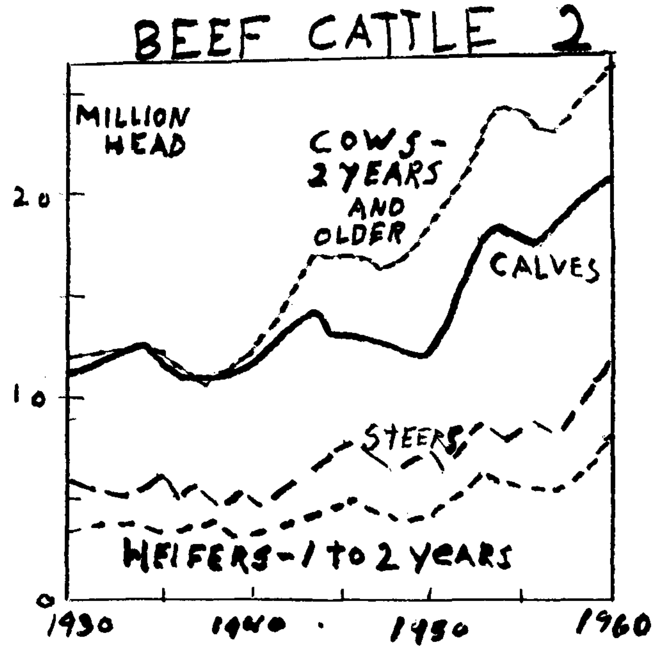
Heifer slaughter January-February was 25% above a year earlier (15% higher related to January 1 population). Steer slaughter January-February was 14% over a year ago (6% higher related to population January 1). The relatively greater increase in heifer slaughter indicates that a number of breeders are having second thoughts on herd expansion.

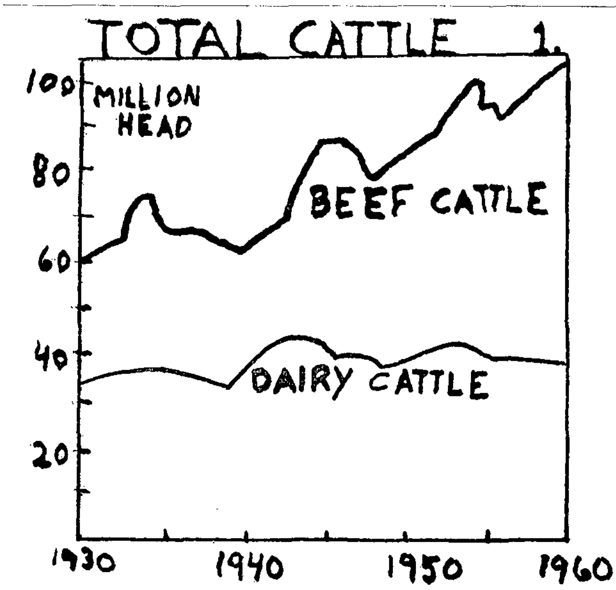
Withholding of animals domestically resulted in price increases sufficient to attract heavy imports. Value of foreign beef imports has tripled in the last three years. However herd build-up has been taking place in Canada. Australia and New Zealand probably cannot continue shipments at the rate of recent years without cutting sharply into breeding herds. Any backing-off of U.S. prices would cause imports to fall even faster than these factors would dictate. Although imports are only 6% of total consumption, the total balance is probably delicate enough that small changes can make a noticeable impact.

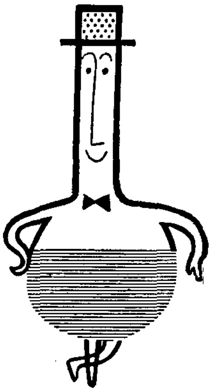
Cattle on feed January 1 were at record highs, and it seems likely that prices will not be able to rally much this year. This should give breeders a hint of what is to come.

Of course, basic to this cattle expansion as well as to hog number expansion is the huge production of cheap feed that we have witnessed in recent years. The presence of this feed is constant encouragement to both full-time animal farmers and to in-and-outers. A substantial part of the time feeding appears to be the best-price outlet. The problem in depending on feeding as a market for grain is that it assumes that the animal price some specific time in the future will be roughly identical to the

(Continued on page 7)







Meetings

A.O.C.S. National Meetings

1960—New York, The New Yorker, October 17–19

1961—St. Louis, Sheraton-Jefferson hotel, May 1–3
Chicago, Pick-Congress hotel, October 30–31, November 1

1962—New Orleans, Roosevelt hotel, May 7–9
Toronto, Royal York hotel, October 2–4

1963—Atlanta
Minneapolis, Radisson hotel, September 30-October 2

A.O.C.S. Section Meetings

North Central—bi-monthly at the Builders' club, Chicago, 6:30 p.m. (May 25).

Northeast—first Tuesday of February, April, and June, at Whyte's Restaurant, New York, 6 p.m.

Northern California—May, September, and November at selected places

Southwest—second Thursday of every other month, beginning January, at Rodger Young Auditorium, Los Angeles, 6:30 p.m.

Other Organizations

May 9–12—Summer Instrument-Automation Conference and Exhibit, Instrument Society of America, Civic Auditorium, San Francisco, Calif.

May 15-19—20th Annual Meeting, Institute of Food Technologists, Masonic Memorial Temple, Fairmont and Mark Hopkins hotels, San Francisco, Calif.

May 16–20—64th Annual Meeting, National Fire Protection Association, Queen Elizabeth hotel, Montreal, Que.

May 23–25—11th Annual Coating Conference, Technical Association of Pulp and Paper Industry, Edgewater Beach hotel, Chicago, Ill.

June 1–3—6th Annual Instrumental Methods of Analysis, Instrument Society of America, Queen Elizabeth hotel, Montreal, Que.

June 13–16—Journees d'Information de la Savonnerie, Conference hall, d'ITERG, 5 bld. de Latour-Maubourg, Paris, France

June 13–17—Gordon Research Conferences on Lipide Metabolism, Kimball Union Academy, Meriden, N.H.

June 13–22—17th annual Statistical Quality Control Programs for Chemical and Processing Industries, Rochester Institute of Technology, Rochester, N.Y.

Report on Fats and Oils

(Continued from page 6)

current level. This can be a dangerous assumption and only involves exchanging one speculation for another.

Steak on the hoof is a long way from a table at the Stockyards Inn.

James E. McHale, Merrill Lynch, Pierce, Fenner, and Smith Inc., Chicago, Ill.