# Beef Briefs

In recent weeks, cattle prices at Midwest markets have fallen off sharply. Although cattle prices and numbers do not have a direct influence on our usual subject, edible oils, they do have an indirect influence. This is because the demand for cattle feed has some bearing on meal demand and consequently meal prices; because beef prices help determine pork and broiler numbers and prices, hence soybean meal demand and price; because edible tallow is constantly growing in importance. It is my opinion that, in part, the weakness in hog prices lately is in part due to cattle price weakness. Hog prices are at their lowest since March, 1960. It is too early to tell whether we have reached the peak of the current cattle cycle which began in 1958. If we have, it would be rather a small cycle both in terms of number increase and in terms of duration. In three previous cycles, the cattle herd increased for seven years before turning down. It is possible that unless prices snap back, this current dip could create producer decisions that might end the cycle. Based on numbers, there appears to be no possibility of major improvement in either hog or cattle prices for several months.

All sorts of reasons have been offered to explain the recent price action and its drastic nature. The real "reason" probably lies in the interplay of a large number of factors of which the following are some:

1. Based on numbers and weight and age distribution of the herds, post January 1 marketings were going to be high regardless of other conditions.
2. Starting last July, the upper Midwest began to be flooded with feeder cattle. The heaviest in-movement was during July-October but continued through December (Table I). Much of this in-movement was in expectation of a repetition of last year's cheap corn prices. This meant banking on U.S.D.A. action to keep corn prices down. This was bad business since, as we have observed here before, U.S.D.A. actions are almost never predictable. The rush to capitalize on hoped-for cheap feed was strong enough that during January through November, 1962, 641,000 head of cattle were imported from Mexico versus 436,000 last year.
3. Cattle sellers delayed securing income until the new calendar year because a tax reduction for that calendar year had been widely heralded.
4. Newspaper strikes in New York and Cleveland reduced greatly the ability of chains to "special" beef in two very important markets, particularly in New York where fore-quarter consumption is large.
5. Indifferent restaurant business all over the country due to great uncertainty over the tax status of business entertainment deductions. New York was probably hit the hardest.
6. Supplies of competing meats coming to market, pork and broilers were high. The fall broiler set was surprisingly heavy.
7. *Livestock loans outstanding* in the cattle feeding states of the upper Midwest on January 1 were 19 per cent higher than a year earlier. These loans were heavily cattle oriented. In addition, feed manufacturers and local elevators over much of the Midwest had extended considerable credit against cattle feeds. Much of the feed credit and livestock credit and the farmer decision to undertake them were based on cattle values during the September-November period of high prices. This heavy use of credit resulted in some panicky selling when prices began to slide.
8. It is necessary to remove any lush growth in wheat pasture in order to obtain maximum growth the following spring. Therefore, southwest wheat growers graze all available wheat pasture during the winter. Long periods of cold and heavy snows encourage the liquidation of the rough fed "twos" that were on pasture. Weather since January 1 has encouraged such liquidation.

TABLE 1

Cattle Inshipments at Record Levels In Final Six Months of 1962

| | 1961 | 1962 | Per cent change 1961–62 |
|---|---|---|---|
| Illinois | 762[a] | 975 | up 28 |
| Indiana | 204 | 217 | up 6 |
| Iowa | 1,694 | 2,089 | up 23 |
| Michigan | 57 | 61 | up 7 |
| Minnesota | 489 | 510 | up 4 |
| Nebraska | 722 | 880 | up 22 |
| Ohio | 76 | 79 | up 4 |
| South Dakota | 161 | 222 | up 38 |
| 8 States | 4,164 | 5,034 | up 21 |

[a] In thousands.

In the last few years, cattle prices have tended strongly toward February-March highs and June-September lows. This is a complete reversal of the old patterns of January-March lows and August-October highs. This switch in timing is probably a reflection of greater automation, i.e. farmers used to set plans that would mean beef marketings before crop planting time and after crop harvest time. This avoided tying up labor during the cropping season and employed idle labor during the off season. This year it appears that so many farmers planned contra-cyclical marketings that they killed the seasonal cycle.

So these are some of the factors. Pick your favorites, add a couple of your own, and you probably will have the "reason" why prices fell. Maybe you will also be able to decide whether the cattle cycle is going to turn down.

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