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Current feeder cattle prices are the lowest since 1969. Yet few are being bought for feedlot replacement. Price changes are large by historical standards and too broad to provide a framework for good management decisions. It's a tough framework in which to work, but it is the setting in which the livestock industry now is operating.

We tend to think that, when prices of fed cattle, feeder cattle, and cows are as low in relation to costs as they are at the present time, the market is just temporarily low. On the contrary, it seems likely that the cattle industry may continue to be depressed through most of 1976 -- some say 1978.

Until the reversal this year. feed grain production had shown large increases. Domestic use for livestock and exports has expanded. Feed grain stocks have diminished because total utilization is up more than production. The end of the line was reached this year with a drop in production of corn and other feed grains. In addition, hay production is anticipated to be 11 percent below last year. Pastures were down from last year and below average.

Many people think producers are leveling out cow numbers or liquidating them because cow slaughter has been up sharply since July. But this expansion is from a low point of slaughter, and the total cow herd continues to increase. An increase in cows of one to two million head is likely January 1975 over January 1974. On July 1 of this year, total cow numbers were 56½ million head. This was a 2.7 million head increase over a year earlier. Further increases in cow numbers are expected by January 1976.

Actual sales of young beef animals were slow this summer and early fall, with some pick up in October. Placements on feed in 23 states in the July-September quarter were down 12 percent from 1973 and 26 percent from 1972. Owners of young beef animals have been discouraged with low prices and feedlot buyers have been uncertain about profit prospects. Prices of feeders are about the same per 100 pounds regardless of weight. A year ago a large premium for light weight feeders existed. Numbers of young beef cattle outside feedlots appear to be up substantially.

As roughage and concentrate prices advanced the cost of maintaining animals escalated and put pressure on many producers to sell. Improvement of range conditions in late summer provided some relief and permitted further postponement of sales. However, costs of maintaining cattle on farms and ranches will increase seasonally this fall and winter. Placements of cattle on feed this year probably will be under 21 million head, down about 6½ million head from two years ago. Other changes this year include:

- -- Cattle being kept on grass or other roughage for a longer time than normal before going on feed;
- -- Calf slaughter of about 500,000 head more this year than last;
- -- About 500,000 more first-calf heifers entering the cow herd this year than last year;
- -- Slaughter of steers and heifers that have not gone through feedlots will be up about 3½ million head this year from 1973.

The reversal from feeder prices being above fed prices started last December-January when feeder prices moved up much less than fed prices. In February-March 1974 feeder prices dropped more than feds. In June most feeders fell below feds in price. Now the difference has widened further.

Even if a mild rise in fed cattle prices takes place this winter, a substantial rise in feeder cattle prices is not likely because of total beef supplies and the lack of optimism regarding future fed cattle prices. The limited availability of money exerts downward pressure on feeder prices.

It appears very possible that 1975 may see commercial cattle slaughter of about 40 million head, which would be an increase of about 10 percent from 1974 -- and at the same time a decrease in fed cattle marketings. Percentage fluctuations can be misleading in times of rapid change such as we are now going through. For example, cattle on feed inventories could be 30 percent less than a year earlier. However, an increased proportion will be in the heavy weight groups which eat more feed per day; thus consumption of feed grains might only be down by about 20 percent. Because of a shorter period of time on feed, the number of fed cattle marketed could be down by only 5-10 percent.

In 1973 fed cattle provided 77 percent of total cattle slaughter. Fed cattle probably will provide only two-thirds of this year's cattle slaughter and possibly about 60 percent next year.

In August of last year, many cattle feeders were saying: "Fed cattle prices can't go below 50 cents because our break-even point is higher than that." Such a statement ignores the economic environment. It could be true in the long run, but a lot of feeders are finding they can't wait for the long run; they must survive in the short run.

Cow/calf owners frequently have operated with feeder prices below their cost of production. Reasons for this are: many of the production resources have little alternative use; land values have appreciated; and the cow herd is a secondary source of income for many operators.

To sum it up, prices of Choice slaughter steers are likely to be in the $36-$45 range most of the next 8 months. Prices of cows and nonfed steers and heifers probably will not change much from present levels unless good grass next spring causes marketings to drop.

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