LIVESTOCK AND FEED OUTLOOK

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FEEDER PRICES AT RECORD HIGH

Cattle feeding is always more speculative than most other Illinois farm enterprises. This is because the necessary investment is large in comparison with the usual cash return.

Cattle-feeding operations should be developed as a regular part of a farm production program rather than undertaken as occasional speculative ventures. However, operations for any one year may be modified according to prices of feeders, costs of feed, or prospective prices for fat cattle.

Recent prices for feeder cattle were the highest on record. At these prices feeding cattle involves the risk of a very substantial investment. Besides, variations in quality and prices of feeders make it seem likely that many farmers will pay $2 or $3 a hundred pounds more than the cattle are worth.

Generally at this time of the year it pays to go slow in buying feeder cattle. Prices usually work lower as shipments of cattle from the range increase toward the end of the grazing season. There is a fair chance that feeder-cattle prices will decline some this fall.

Favoring a decline is the prospect of a greater-than-normal seasonal increase in meat supplies. Farmers have more hogs and cattle to market this fall than they did a year ago. On July 1 farmers had a third more cattle on feed than they had a year earlier. Twenty-six percent of these were scheduled for market after October 1. In addition, pork supplies may be around 5 percent greater than last fall.

Retail meat prices rose to near record levels during the summer. As market supplies increase, meat prices may have to be trimmed considerably in order to get consumers to take all the meat home. Any general reduction in retail meat prices would bring lower quotations for slaughter cattle and probably for stockers and feeders.

On the other hand, weather developments may increase the demand for feeder cattle. Many farmers have late corn. Some report that their crop is two to three weeks late. Early frosts would send many of them after feeder cattle to utilize their soft corn.

Then too, corn borers have weakened many plants. Heavy winds would put much corn on the ground and probably increase the demand for feeder cattle.

Usually cattle feeders must have a favorable price margin in order to make a profit. That is, the selling price must be considerably higher than the buying price. However, cattle prices now are on the high part of their 15-year price cycle. Cattle are unusually high in relation to feed costs. This makes it possible to make some profit on some feeding programs without a favorable price margin. In fact, on good-quality calves or light yearlings a fair profit can be made even when the selling price is less than the buying price.

Good and Choice steer calves fed for the fall market offer the best opportunity. They will pay for themselves and their feed if they bring within $5 a hundred pounds of their purchase price. That is figuring calves at around $30, corn at $1.40, other feeds in proportion, and average and better care.

For Good to Choice yearlings the break-even selling price will be $1 or $2 under the price paid for the feeders.

Heavier cattle and lower-grade yearlings must bring $2 or $3 above their purchase price to pay for themselves and their feed.

Normal seasonal price swings are to be expected. Prices for top grades of cattle are likely to average $4 or $5 lower in the spring than in the fall. Contrariwise, prices for the lowest grades will be highest in the spring months. Cattle that grade Medium sell about as good one time of the year as another. Feeding programs and marketing schedules should be planned to take advantage of the seasonal changes in market prices.

Regardless of price trends during the year, some farmers will make much larger profits than others. The differences in profits will be due largely to differences in skill and care in feeding and management.

A lot of good ideas on ways to increase skill in handling cattle can be found in Illinois Circular 613. This booklet, "Raising and Feeding Beef Cattle," describes many profitable practices followed by successful cattle feeders in Illinois. A copy can be obtained from a farm adviser's office or by writing to the University of Illinois, College of Agriculture, Urbana, Illinois.

FEED PRICES HIGHER

The feed situation is not quite so favorable as it was a year ago. Supplies of grains will be a little smaller, and prices will average higher, especially during the early part of the feeding season.

In August the official estimate of the corn crop was 3.2 billion bushels. This is 6 percent smaller than the 1949 crop. For the north-central states the estimate was 10 percent less than the crop raised last year. The Illinois crop was forecast at 430 million bushels, or 17 percent less than in 1949.

The carry-over of corn from previous crops totals about 950 million bushels, 125 million more than a year ago. Corn not under price support totals about 300 million bushels, 100 million less than in 1949.

Added together the carry-over and new crop will make a total supply of about 4.1 billion bushels. That is only 2 percent less than the record supply available during this past year.

Altogether the supply of the four feed grains (corn, oats, barley, and sorghum grains) will be about 154 million tons—about 2 percent less than the supply for the previous year.

The supply of oilseed cake and meal is expected to be about 7.9 million tons. That would be nearly the same as for the year just ending. Production of soybean meal promises to be much greater than in 1949-50, but this will be offset by a sharp cut in the production of cottonseed meal.

Feed is not available at bargain prices as it was a year ago. Recent prices for old corn have been 20 to 30 cents a bushel higher than those of a year ago. August quotations for deliveries in December and May were up by about the same amounts. Prices for other grains show corresponding increases.

Some corn probably will be available at harvest time at around $1.20 to $1.30 a bushel. Prices are expected to move up toward $1.40 a bushel after the first of the year.

Prices for protein feeds likely will average higher than in the past feeding season. Livestock feeders should investigate the opportunity for making savings by contracting in the fall for delivery to meet feeding needs later in the feeding season.

DON'T OVERESTIMATE DEMAND

Consumer demand will be strong in 1951, but the inflationary effects of the military program probably have been overestimated. True, more spending for military purposes will make more jobs. So will increased spending by businessmen to get better equipment and more adequate supplies.

But the government apparently is not preparing for a major war. For example, military programs announced to mid-August would require only 5 or 6 percent of our total steel output.

Second, federal taxes are to be increased sharply. This will cut into civilian buying power. Increased sales of bonds to individuals and insurance companies and other non-banking corporations may absorb considerable civilian buying power. Government spending is inflationary only as it is done with newly created money.

Third, rising prices, stricter credit terms, and uncertainties as to the availability of materials will cut down the housing boom. Likewise credit restriction and uncertainties about military service will dampen the demand for automobiles and household appliances.

Altogether it appears that increased taxes and the tapering off of the current business boom may go far toward offsetting increased expenditures for defense.

Price ceilings on meats and livestock seem to be a 50-50 possibility. They are a poor remedy for excessive consumer buying power but they are popular with the public.

A rollback of prices seems unlikely. Any price ceilings that are established probably will be reasonably favorable to the production of meat animals. Price ceilings probably would reduce seasonal price swings but would not eliminate them.

Monetary and credit conditions could support a large inflation. In the absence of a major war, however, people have too much confidence in the value of the dollar to continue inflationary spending. If a major war develops, general price ceilings will be applied quickly.

In general, it seems best to plan on slight, rather than large, increases in average prices of livestock for the next year.

Cooperative Extension Work in Agriculture and Home Economics: University of Illinois, College of Agriculture, and the United States Department of Agriculture cooperating. H. P. RUSK, Director. Acts approved by Congress May 8 and June 30, 1914.

HOG OUTLOOK GOOD

The outlook for hog producers is reasonably good. Consumer demand will remain strong and probably even increase moderately. Only moderate increases in production are in prospect.

The 1950 spring-pig crop was only 3 percent larger than that of last year. With more confidence in market values, farmers may make their hogs heavier than in 1949. Even so, pork supplies for the next six months probably will be no more than 5 percent greater than 12 months earlier. The market outlook justifies feeding hogs until they are well finished. Over-confidence in the market, however, may result in too many heavy hogs late in the season.

In June, farmers expected to increase fall farrowings 5 percent over 1949. This gives an indication of market supplies to be expected next spring.

No big increase in breeding for spring pigs is expected. This is because the hog-corn price ratio at breeding time is likely to be less favorable than last year. Hog prices probably will be about the same as last year, but corn prices will be higher.

SHEEP AND LAMBS

Lamb feeding, like cattle feeding, is quite speculative. Prices are erratic and inexperienced feeders often have heavy death losses. Still, many farmers make good profits by feeding lambs.

Sheep numbers on farms at the first of the year were the lowest in 84 years of record. They had dropped 45 percent in eight years. Heavy slaughter of ewes this year indicates that a further reduction in numbers is taking place. The spring lamb crop was down 2 percent from the previous year. Farmers who think feeder cattle are too high perhaps should consider feeder lambs for a change.

Many Illinois farmers might well develop a breeding flock of sheep. Sheep excel cattle in converting pasture and roughage into meat. The original cost for breeding stock is less than for cattle. Returns are quicker. The wool provides an added source of income. The government will guarantee good prices for wool for a long time to come.

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