



# ILLINOIS FARM AND FOOD OUTLOOK

## COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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### SOME FACTORS IN THE PRICE OF FED CATTLE

PRICES OF FED CATTLE dipped lower than expected early this year. Later they moved up sharply, but they have not reached and held the prices generally anticipated. A brief survey of some of the important factors in cattle prices may help in considering the future.

Supply of Beef. Typically cattlemen and market people carefully evaluate possible supplies of beef for price indications. Cattle slaughter this year through April was 6 percent above the same period last year. Beef production was up even more--8 percent--because of the higher percent of fed cattle being slaughtered. Since April, slaughter and beef production has continued well above last year. Slaughter of cows and non-fed cattle has not dropped as much as was expected. Areas of drouth in the north-central states have supported this high slaughter.

The USDA report of cattle on feed June 1 in the seven major feeding states indicates that supplies of fed cattle will continue well above last year. The number of cattle on feed June 1 was 24 percent more than last year. Marketing of fed cattle during May was 27 percent above last year. However, reflecting the lower market prices, placements of cattle on feed were 14 percent below last year. As a result of heavy marketings and lower replacements, the number of cattle on feed on June 1 was nearly 4 percent lower than on May 1. Supplies of fed cattle will continue high but will not be rising as sharply as earlier this year. The major uncertainty will be in slaughter of cows and non-fed cattle, which may continue rather high, especially if areas of drouth continue.

Consumer Expenditures. Typically consumers are estimated to spend about 2.6 percent of disposable income for beef. This figure has been quite consistent over the years. Rising disposable incomes again this year will add strength to prices. Disposable income for the first quarter of 1976 was 11 percent above 1975.

An additional factor in expenditures for meat is the food stamp program. Since no changes are to be made until later this year, food stamps will continue their contribution to meat purchases.

Other factors. Two other factors that need to be mentioned are byproduct value and marketing costs. At present byproducts are contributing more than \$4.00 per hundred



to the value of cattle. Last year at this time they were contributing less than \$3.50 per hundred. This \$4.00 per hundred more than pays for the cost of slaughtering and means that beef can be sold at wholesale for less than the cost of beef in live cattle.

Marketing costs per pound of beef in retail cuts are about 10 cents per pound higher than last year. A large part of this comes from higher labor costs in the movement of beef from farm to retail counters.

Prospects. With some reduction in total slaughter of cattle, prices of fed cattle may show a little more strength but no great rises. Consumer expenditures will likely continue to add support because of greater employment and rising business activity. At the same time slaughter will not be increasing as it did earlier this year.

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