Can the cattlemen afford cattle?

Feed cattle is a high-cost investment to begin with; at 18 percent interest rates, it becomes very risky, indeed.

More than three years ago a Monfort of Colorado spokesman told a television interviewer that cutting back grain production to conserve energy—invariably accompanied by the Malthusian demand to feed grain to people, not animals—would require the U.S. to build an enormous defense system to try to protect itself from a world that will not tolerate the destruction of the most productive agricultural industry in history.

Several weeks ago, Monfort, the third largest meat producer in the U.S., announced the largest quarterly loss in its history, and closed down its Greeley meatpacking facility. Not too many weeks before that, President Carter had presented his guns-no-butter (no bread, autos, houses, or beef, for that matter) 1981 budget.

We are a long way down the road envisioned by the Monfort spokesman in 1976. The recently acknowledged "return" of the cattle cycle to liquidation phase is one dramatic indication of the crisis in American agriculture.

The February 1980 Department of Agriculture "Livestock and Meat Situation" report ought to be sufficient to convince the last true believer that the past year's puffing of herd rebuilding was wishful thinking—understandable, perhaps, since the 16 percent decline in the cattle inventory between January 1, 1975 and January 1, 1979 was the largest drop ever.

From January 1979 to January 1980, a two percent increase in the inventory had been predicted, based on the fact that by spring 1979 cattle prices had climbed to levels which began to make herd expansion look financially viable. Feedlots were paying $80-90 per hundredweight for feeder cattle. But the deteriorating economy pinched consumer food budgets—all the while production costs soared. By August fed cattle were selling for $65 per hundredweight, and feedlots had already begun to slow marketings and replacements. Cattlemen began pulling in their horns.

The January 1, 1980 cattle census showed that far from the 1-2 million head increase, the cattle population had grown over 1979 by a mere 100,000 head. The number of intended replacement heifers which actually entered the herd during this period ran at 30 to 35 percent, and the calf crop was down by 2 percent (or 1.1 million fewer calves) from 1978. Further, the second-half 1979 nonfed steer and heifer slaughter was greater than expected.

Feedlots are unquestionably terrifically squeezed at this time, a fact to which the still unfolding DES scandal is perverse testimony. An industry source told *Feedstuffs* magazine that it was likely that cattle implanted with the synthetic hormone DES, banned last November on the grounds that it is carcinogenic, would top a half million before the dust settled because of the intense competition in this highly-leveraged industry.

The Texas Cattle Feeders Association reported this week that feedlot replacements in the Texas panhandle were down 16 percent from year-ago levels. The Association expects that by mid-April the feedlots would be only 60 percent filled, a result of, principally, high interest rates according to Association analyst Chris Hyndmand.

A 600-lb. feeder calf today costs about $486, Hyndmand explained. If an investor fed the calf for 120-130 days on money borrowed at 18 percent, the cost of the money alone would be $30. Transportation costs and the unpredictability of government policies make the high-cost investment in cattlefeeding an even greater risk.

These developments at the feedlot level will put more pressure on the cow-calf men, reinforcing the herd liquidation.

What this means at the dinner table is "here today, gone tomorrow" as far as beef is concerned. Supplies will be ample for some months as producers liquidate, and then supplies will fall and prices will snap upward. Already beef consumption, the most potent and efficient source of protein, has dropped about 20 percent since 1976 in the U.S. But observers expect "heap meat" to end in the fall, when the "crunch" hits. Significantly, an industry economist told a world meat trade conference in Ireland this week that the rate of growth of beef consumption worldwide would drop 25 percent during 1980—a projection he attributed to projected low economic growth rates.