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CATTLE PRICES have stabilized at unexpectedly low levels so far this year, but recent developments support prospects for some improvement in prices during the spring quarter. Choice steer prices at Omaha averaged $37 per hundredweight last week, slightly above the low of a year ago and about $1 under the January-February average. Although much of the initial optimism for strong cattle prices this winter and spring has subsided, the greening of spring pastures and lower feedlot inventories support prospects for an uptrend into the summer months. The uptrend could bring some relief to cattle producers who have accumulated large losses over the past several months.

The continuation of unexpectedly low cattle prices this year reflects several factors. Although federally inspected cattle slaughter since the beginning of January has fallen somewhat short of the high year-earlier pace, heavier carcass weights have held total beef production about equal to the year-ago level. Fed cattle slaughter is up slightly, while the drop in nonfed slaughter has fallen short of earlier expectations. Short supplies of roughage—as reflected in the January 1 estimate which indicated hay stocks were the lowest for that date since 1960—have sustained a large volume of cow and nonfed steer and heifer slaughter in several areas this winter.

Additional downward pressures on cattle prices have been exerted by larger supplies of pork and poultry. Preliminary evidence indicates federally inspected hog slaughter during the first 10 weeks of this year is up 13 percent from the year-earlier pace. Many observers also suggest a soft consumer demand has contributed to the low cattle prices. Extreme cold weather throughout the eastern half of the United States and the energy cutbacks this winter resulted in abnormally high utility bills for consumers and unexpected temporary layoffs for many workers.

The prospects for an uptrend in cattle prices this spring hinge largely on the recent improvement in weather conditions. Above-normal temperatures have generally prevailed since mid-February. Moreover, a goodly amount of much needed precipitation has fallen throughout major portions of the country in recent weeks. These developments support prospects that the greening-up of spring pastures will soon absorb some of the continuing heavy volume of cow and nonfed steer and heifer slaughter. Whether such a development is temporary or of a more permanent nature, however, depends on future weather patterns. Clearly, above-normal precipitation will be needed in spring and the early summer months to replenish depleted soil moisture conditions and regenerate more normal pasture carrying capacities.

Prospects for midyear strength in cattle prices reflect expectations that a lower volume of fed cattle slaughter might reinforce the cutback in nonfed slaughter. Year-to-year declines in the inventory of cattle on feed have widened from 4 percent in January to 7 percent as of March 1, according to the USDA's latest monthly *Cattle on Feed* report. (The monthly report covers feedlot activities in seven major states which account for roughly two-thirds of all cattle on feed.) The decline reflects both the increased marketings of fed cattle and a slowing from last fall's large placements of cattle on feed. During the fourth quarter of 1976 feedlot placements were 6 percent above the year-earlier pace. In contrast, placements in January and February were down 2 percent. Last fall's placements will continue to generate a large volume of fed cattle marketings over the near term. By midyear, however, fed cattle marketings are likely to be trending lower. Such a situation could push cattle prices to the mid-$40s per hundredweight this summer if weather conditions sustain a sufficiently large cutback in nonfed slaughter.

For cattle producers and their lenders any improvement in prices would bring some measure of relief to the financial squeeze that has gripped the industry the past several months. According to Iowa State University budgets—which include charges for labor and overhead as well as feed and feeder stock costs—February marked the 14th consecutive month of losses for the typical Iowa farmer who feeds choice yearling steers. During this period the losses per head ranged from $3 to $109 and averaged $68.50. Even abstracting from the charges for labor and overhead, February marked the eighth consecutive month in which the returns from marketing fat steers fell short of the costs of feed and feeder stock. During this period the negative returns against feed and feeder stock costs ranged from $32 per head to $61 per head and averaged $43. These conditions have resulted in slower loan repayment rates and a simultaneous increase in loan renewals and extensions. Hopefully, these trends might ease with the anticipated uptrend in cattle prices.

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