

NORTHWESTERN Banker Newsletter

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A Look at Cattle Feeding by 1985

In a recent address to cattle feeders and bankers attending the 19th annual Market Day hosted by First Stock Yards Bank of St. Joseph, Mo., Samuel D. Addoms discussed the topic, "Will There Be Cattle Feeding in 1985?" Mr. Addoms is executive vice president and treasurer of Monfort of Colorado, Inc., Greeley. Here is a summary of his views of potential and real threats to the livestock feeding industry:

The great grass-fed beef miracle has placed a lower cost, finished product in the hands of the consumer under various titles, such as baby beef. Some tell you it is almost patriotic to eat grass-fed beef; others say "It sustains the world's hungry, it's just as good, it's lower priced." If these claims were true over a period of time we could be in trouble as an industry. Let's take a look at the facts:

1. The product has been subsidized to the consumer by the producer. I would estimate the consumer has received between \$30-\$50 per head in producer subsidy. I fail to see how putting producers into the ranks of the unemployed will feed the world's hungry.

2. Grass-feds are more expensive to process. If you have a \$50 cost to kill, chill, break and fabricate a carcass, that cost then can be

applied to the carcass weight to determine the unit cost of production. In the case of a fed steer weighing 1,000 pounds live weight and yielding a 630 pound carcass, this cost would amount to \$7.94 per hundredweight. For a grass-fed steer of 1,000 live weight, the carcass yield is only 580 pounds dressed, for a hundredweight cost of \$8.62.

The difference of 68 cents per hundredweight may not sound like much but it is a staggering 60% of the packing industry's average profit margin of \$1.14 per hundredweight before taxes.

Grass-fed beef is no miracle. It will prove to be as short lived as the cattle herd liquidation now taking place. By 1978 little of this product will be in evidence.

Of greater concern to the industry should be population growth and attendant world hunger, coupled with high energy costs. Beef is being questioned as a form of diet from a health standpoint. Because beef feeding requires intensive uses of fossil fuel, and because it diverts food production away from world food requirements, it has also been criticized. These concerns are legitimate. Let me mention a few rebuttals.

Rebuttals

First, beef cattle herds are being

liquidated and per capita consumption beyond 1975 should begin to decline from the 125 pound level to 100-110 pounds in 1978-79. It will be higher priced and less available. In short, industry economics will have produced a healthy adjustment in the American diet. Beef will not be produced with as much internal or external fat. The grain waste of high choice or prime cattle and the attendant risk to consumer health will disappear together for the best of economic reasons.

Second, for the irreplaceable fossil fuel that cattle feeding does require, the better part of that claim is bunk. Grazing cattle are not well known for their fuel consumption. Under their own locomotion they gather and convert otherwise useless celluloid energy into usable protein. In addition, in feedlots of our size we will produce sufficient methane some day to fuel our entire operations with sufficient excesses to support a city of 50,000 persons. All of this from manure, and without the loss of the chemical fertilizer values for which this by-product already is highly prized.

Clear Implications

There are some very clear implications:

First, the feeding industry now has more than sufficient capacity for the foreseeable future. With

CATTLE FEEDING
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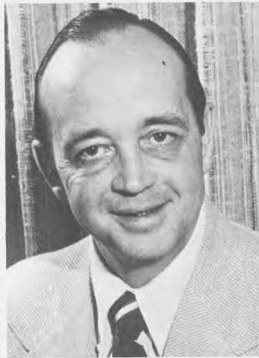
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Fred Cummings III

Fred D. Cummings, senior vice president, Drivers National Bank, Chicago, continues to make recovery. He is in Room 371 at Little County of Mary Hospital, 2800 W. 95th Street, Evergreen Park, Ill.

Iowa News

The 89th annual Iowa Bankers Association Convention opens today, October 27, with the traditional Agricultural Breakfast held at Veterans Auditorium, Des Moines. Breakfast will be 7:45 a.m. followed by the program at 8:30. The first General Session will begin at 1:15 p.m. in the Ballroom of the Hilton Inn. The Convention will end on Wednesday, October 29.

DYERSVILLE: Tom Lucas has joined the staff at Fidelity Bank & Trust as assistant vice president. He formerly was manager of bond operations at the First National Bank of Minneapolis.

SIOUX CITY: Al Maser has been elected president of the Valley State Bank, succeeding the late J. E. Kelly. William D. Ellis has been advanced to executive vice president. Mr. Maser also is president of

the First National Bank, LeMars, and the Lakes National Bank, Arnolds Park. The Valley State Bank is currently building a facility at 8th and Hamilton in Sioux City, which will feature three drive-in windows and a walk-up.

Nebraska News

BRADY: D. L. Sommerhalder, president of the Bank of Brady, has announced the following title changes: Delores V. Gengenbach, vice president and cashier, and Bob E. Golter, vice president.

OMAHA: John F. Wear has been named a vice president of the Ames Plaza Bank. He formerly was data processing officer for The Omaha National Bank. At Ames Plaza he will be department head for all operations activities.

Minnesota News

The 1975 Bank Staff Seminars being held throughout the state continue. Registration is at 5:30 p.m. followed by dinner and the seminar entitled "Bank Swindles—Robbery without a Gun." Dates and places of upcoming meetings follow:

Nov. 3, Holiday Inn, Brainerd.

Nov. 4, Erie Jr. Club, Detroit Lakes.

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Illinois News

CHAMPAIGN: The Illinois Bankers Association and the University of Illinois, Urbana-Champaign, are sponsoring a Bank Management Conference November 5-6 at the Ramada Inn here. Registration begins at 7:45 a.m. Featured presentations include: a report from

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Wyoming News

NEWCASTLE: Lois Johnson has been promoted to assistant cashier of the First State Bank here. Mrs. Johnson has been secretary for the bank for several years.


Colorado News

ENGLEWOOD: Continental National Bank has announced the appointment of Robert W. Mayerchak as administrative vice president, a newly created position, and the promotion of Charles Forster to assistant vice president. Mr. Mayerchak formerly was vice president of the First National Bank of Arizona in Tucson.

CATTLE FEEDING [Continued from page 1]


lower numbers on feed, coupled with higher throughputs occasioned by shortened feeding periods, we're going to see more feedlots leave the scene. In these cases the same old rules will apply—namely, those with inadequate capital or inefficient opera-

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tions will disappear. Those who believe in backgrounding light cattle in feedlots will be proven wrong, as that business is energy and feed intensive and unnecessary to the consumer.

Second, in the next two years, as we liquidate excess cows and reduce the beef cow herd to a level that will permit production of 750-850 pound feeders entirely on grass, the packing industry should enjoy a buyer's market and relatively good earnings. Once the correction has taken place, hopefully by 1978, the packing industry, too, will suffer from overcapacity and the weak will begin to disappear either through the gates of obsolescence or Chapter 11.

The big packer race in the late 1970s will be to establish stronger

markets for beef that will prove to be more price stable. This strong market orientation will be essential to processors if they are to survive, and suppliers of cattle, like bankers, will be wise to assess these strengths or weaknesses to be sure that their own bets are down on the strongest contenders.

The next year may prove to be among the toughest of the next 10 for feeders as we send product to market to compete with those cattle proven to be surplus by high grain costs. But I expect that the worst is behind us, and if we will remember the excesses and mistakes of the early 1970s we can sit down together in 1985 and complain about 85 cent feeders, \$3.50 corn, 75 cent fat cattle and dressed prices of \$1.20.


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1. Title of publication — Northwestern Banker Newsletter.
2. Date of filing — September 29, 1975.
3. Frequency of issue — Weekly.
4. Location of known office of publication — 306 - 15th Street, Des Moines, Iowa 50309.
5. Location of the headquarters or general business offices of the publishers (Not printers) — 306 - 15th Street, Des Moines, Iowa 50309.
6. Names and addresses of publisher, editor and managing editor — Publisher — Malcolm K. Freeland, 306 - 15th Street, Des Moines, Iowa 50309. Editor — Ben Haller, Jr., 306 - 15th Street, Des Moines, Iowa 50309.
7. Owner (if owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given.) Malcolm K. Freeland, President, 306 - 15th Street, Des Moines, Iowa 50309. Ben Haller, Jr., Vice President, 306 - 15th Street, Des Moines, Iowa 50309. Northwestern Banker Company, 306 - 15th Street, Des Moines, Iowa 50309.
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9. For optional completion by publishers mailing at the regular rates (Section 132.121, Postal Service Manual) 39 U. S. C. 3626 provides in pertinent part: "No person who would have been entitled to mail matter under former section 4359 of this title shall mail such matter at the rates provided under this subsection unless he files annually with the Postal Service a written request for permission to mail matter at such rates."

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Malcolm Freeland, Publisher

10. Does not apply.
11. Extent and nature of circulation:

	Average No. copies each issue during preceding 12 months	Actual Number of copies of Single issue nearest to filing date
A. Total No. copies printed (Net Press Run)	4,912	4,885
B. Paid circulation		
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2. Mail subscriptions	4,629	4,595
C. Total paid circulation	4,629	4,595
D. Free distribution by mail, carrier or other means		
1. Sample, complimentary, and other free copies	183	190
2. Copies distributed to news agents, but not sold	NONE	NONE
E. Total distribution (Sum of C and D)	4,812	4,785
F. Office use, left-over, unaccounted, spoiled after printing	100	100
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I certify that the statements made by me above are correct and complete.

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