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CATTLE PRICES have risen significantly in recent weeks, providing cautious optimism that the financial plight of cattle feeders may be easing. Choice steer prices at Omaha averaged about \$42.50 per hundredweight last week, up \$8 from the mid-March low and the highest weekly average in a year. The strength in prices, occurring despite slightly higher slaughter rates, has triggered hopes that the lackluster consumer demand for beef may have recovered from the doldrums experienced for the past several months.

During the first quarter of this year choice steer prices at Omaha averaged \$37.88 per hundredweight, about equal to the year-earlier level. Commercial cattle slaughter during the first quarter, however, fell 4 percent short of the year-earlier level as the decline in nonfed slaughter offset the slight rise in fed cattle marketings. Based on a recent survey of marketings by cattle feeders in the 23 major states, slaughter of fed cattle during the January-March period was up about 1.5 percent from the year-earlier level. Overall, nonfed slaughter was down about 12 percent, although cow slaughter was down only 6.5 percent. With the exception of a one-tenth rise in Michigan, fed cattle marketings by farmers in District states ranged 2 to 4 percent below the year-earlier level during the first quarter.

Future fed cattle slaughter rates are expected to remain moderately above a year ago but overall slaughter levels will continue to hinge heavily on the impact of weather on pasture conditions and the flow of nonfed animals to market. Fed cattle marketings during the current quarter are expected to be somewhat larger than in the same period a year ago, although the April 1 inventory of cattle on feed was 3 percent below the year-earlier level. Cattle feeders in the 23 major states intend to market 1 percent more fed cattle during the current quarter. The inventory of heavyweight cattle, however, would support expectations of a 4 to 6 percent rise from the year-earlier level. Prospects for the larger increase are partially supported by the 4.5 percent gain in federally inspected slaughter of all cattle since early April, with all of the increase occurring since mid-April.

Prospects for fed cattle slaughter during the third quarter are somewhat mixed. However, the increased volume of placements during the first quarter suggests third-quarter fed cattle slaughter may continue slightly above the year-earlier level. Placements of cattle on feed in the 23 major states during the January-March period were up 3 percent from the same period a year earlier. The increased volume of placements may

offset the implications of reduced inventory numbers and cause fed cattle slaughter to rise seasonally this summer and remain slightly above the year-earlier level.

The major swing factor in the cattle price outlook continues to be the level of nonfed slaughter. The improved moisture supplies in recent weeks has enhanced the likelihood of larger year-to-year declines in nonfed slaughter during the next few months. Early season pasture and hay conditions appear favorable—at least in the Midwest and Plains. If these conditions are supported by continued timely rainfall, the decline in nonfed slaughter could widen to 15 percent or more, which would be sufficient to hold beef production over the next few months 3 to 5 percent below year-earlier levels.

Competitive supplies of pork and poultry will continue to drag on beef prices for the next few months. For the current quarter hog slaughter is likely to exceed the year-earlier level by 15 percent or more, although the year-to-year gain will likely narrow appreciably this summer. Broiler production continues to exceed the record-setting pace of a year ago, a trend that will likely continue into the summer in light of recent declines in grain prices.

The outlook for cattle prices has been bolstered by the uptrend since early April despite somewhat higher slaughter rates. On the one hand, the rise has given hope that demand for beef has improved from the lackluster performance of the past several months. In addition, the improved moisture situation raises hopes of larger declines in nonfed slaughter. Nevertheless, it appears that beef supplies will remain fairly abundant, although probably trending below year-earlier levels throughout the summer months. But with third-quarter supplies possibly rising seasonally, it does not appear as if further significant increases from recent price levels are in store for the near term. Consequently, prices may well average in the low- to mid-forty dollars per hundredweight range for the next few months.

Gary L. Benjamin
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AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	April	193	+ 1.6	+ 2
Crops	1967=100	April	217	+ 2.8	+ 12
Livestock	1967=100	April	172	+ 0.6	- 8
Paid by farmers	1967=100	April	204	+ 1.5	+ 7
Production items	1967=100	April	204	+ 1.5	+ 6
Wholesale price index (all commodities)	1967=100	April	194	+ 1.3	+ 7
Foods	1967=100	April	189	+ 1.0	+ 4
Processed foods and feeds	1967=100	April	189	+ 2.5	+ 6
Agricultural chemicals	1967=100	April	188	+ 0.6	- 1
Agricultural machinery and equipment	1967=100	April	195	+ 0.2	+ 8
Consumer price index (all items)	1967=100	March	178	+ 0.6	+ 6
Food at home	1967=100	March	187	+ 0.4	+ 5
CASH PRICES					
Corn	dol. per bu.	April	2.32	- 1.3	- 6
Soybeans	dol. per bu.	April	9.38	+ 19.8	+108
Wheat	dol. per bu.	April	2.41	- 0.8	- 31
Sorghum	dol. per cwt.	April	3.49	- 1.7	- 16
Oats	dol. per bu.	April	1.63	- 0.6	+ 13
Steers and heifers	dol. per cwt.	April	37.30	+ 3.9	- 8
Hogs	dol. per cwt.	April	36.00	- 3.0	- 23
Milk, all sold to plants	dol. per cwt.	April	9.48	+ 0.5	+ 1
Broilers	cents per lb.	April	24.3	0	+ 3
Eggs	cents per doz.	April	55.3	- 6.0	+ 5
INCOME (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	1st Quarter	95.6	+ 4.7	+ 3
Net realized farm income	bil. dol.	1st Quarter	23.0	+ 13.3	+ 2
Nonagricultural personal income	bil. dol.	March	1,446	+ 1.6	+ 10
FARM FINANCE					
Total deposits at agricultural banks ¹	1972-73=100	April	168	+ 2.1	+ 12
Time deposits	1972-73=100	April	200	+ 2.0	+ 18
Demand deposits	1972-73=100	April	128	+ 2.3	+ 6
Total loans at agricultural banks ¹	1972-73=100	April	194	+ 1.5	+ 20
Production credit associations					
loans outstanding:					
United States	mil. dol.	March	12,583	+ 2.5	+ 13
Seventh District states	mil. dol.	March	2,382	+ 2.5	+ 21
loans made:					
United States	mil. dol.	March	2,196	+ 20.0	+ 14
Seventh District states	mil. dol.	March	519	+ 20.0	+ 24
Federal land banks					
loans outstanding:					
United States	mil. dol.	March	19,331	+ 2.2	+ 16
Seventh District states	mil. dol.	March	3,816	+ 4.3	+ 22
new money loaned:					
United States	mil. dol.	March	552	+ 59.4	+ 25
Seventh District states	mil. dol.	March	119	+125.5	+ 36
Interest rates					
Feeder cattle loans ²	percent	1st Quarter	8.71	- 0.3	- 1
Farm real estate loans ²	percent	1st Quarter	8.92	- 0.2	0
Three-month Treasury bills	percent	4/28-5/4	4.65	+ 3.3	- 5
Federal funds rate	percent	4/28-5/4	5.15	+ 6.8	+ 2
Government bonds (long-term)	percent	5/2-5/6	7.72	+ 0.8	- 3
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	February	2,046	+ 7.3	+ 19
Agricultural imports	mil. dol.	February	1,127	- 1.1	+ 47
FARM MACHINERY SALES					
Farm tractors	units	March	16,898	+ 76.1	- 4
Combines	units	March	1,087	+ 92.0	- 22
Balers	units	March	1,121	+109.9	+ 28

¹ Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

² Average of rates reported by district agricultural banks.