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281-9  
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Federal Reserve Bank of Chicago - -

January 23, 1959

# Agricultural Letter



Number 492

CATTLE FEEDING continues at record levels. About 6.5 million head were on feed as of January 1, 11 per cent more than a year earlier and the largest number ever recorded. The increase in 13 western states was 23 per cent, reflecting the ample feed supplies now available to cattle feeders after a year of good weather and bumper crops.

In the Corn Belt, 7 per cent more cattle were on feed January 1 than a year earlier. However, even within the Corn Belt, the largest increases have taken place in the western part with Kansas reporting a gain of 30 per cent and Nebraska 17 per cent. Iowa, the leading cattle feeding state, had 7 per cent more cattle and calves on feed while Illinois, the second ranking state, had 1 per cent fewer. Indiana and Wisconsin also reported fewer numbers of cattle on feed.

Cattle on Feed January 1

	1956	1957	1958	1959	Per cent change 1958-1959
	---- (thousand head) ----				
Illinois.....	639	690	649	643	- 1
Indiana.....	321	305	296	255	-11
Iowa.....	1,188	1,259	1,284	1,374	+ 7
Michigan....	116	116	110	125	+14
Wisconsin...	108	113	115	113	- 2
9 Corn Belt states....	3,882	4,043	4,081	4,315	+ 7
13 western states...	1,582	1,602	1,390	1,745	+23
U. S. Total ..	5,880	6,067	5,867	6,489	+11

Shipments of stocker and feeder cattle into nine Corn Belt states were about the same as a year earlier during the July-November period. Therefore, the bulk of the increased feeding activity is a result of the large increase over the previous year in shipments during the first and second quarters of 1958.

Longer periods of time on feed are clearly indicated. In the Corn Belt states, compared with a year earlier, there were 23 per cent more cattle which had been on feed 6 months or more on January 1; cattle on feed 3 to 6 months showed an increase of 10 per cent; and those on feed less than 3 months showed an increase of only 5 per cent.

Larger numbers of fed cattle appear headed for market in the first half of 1959 than a year earlier, while for the last half only moderately larger marketings are likely.

Intentions to market by Corn Belt cattle feeders were up 17 per cent in the first 3 months of 1959 over

the same months last year. The estimated number remaining to be marketed after March 31 is only 6 per cent larger than a year earlier. Thus something approximating the typical seasonal pattern of prices for higher grades of cattle—stronger prices in late summer and fall than in the spring—would seem to be in prospect. Last year, cattle moved into feed lots later than usual and did not reach market in volume until summer, with the result that fed cattle prices reached high peaks in the spring of 1958 and declined somewhat during the summer and fall.

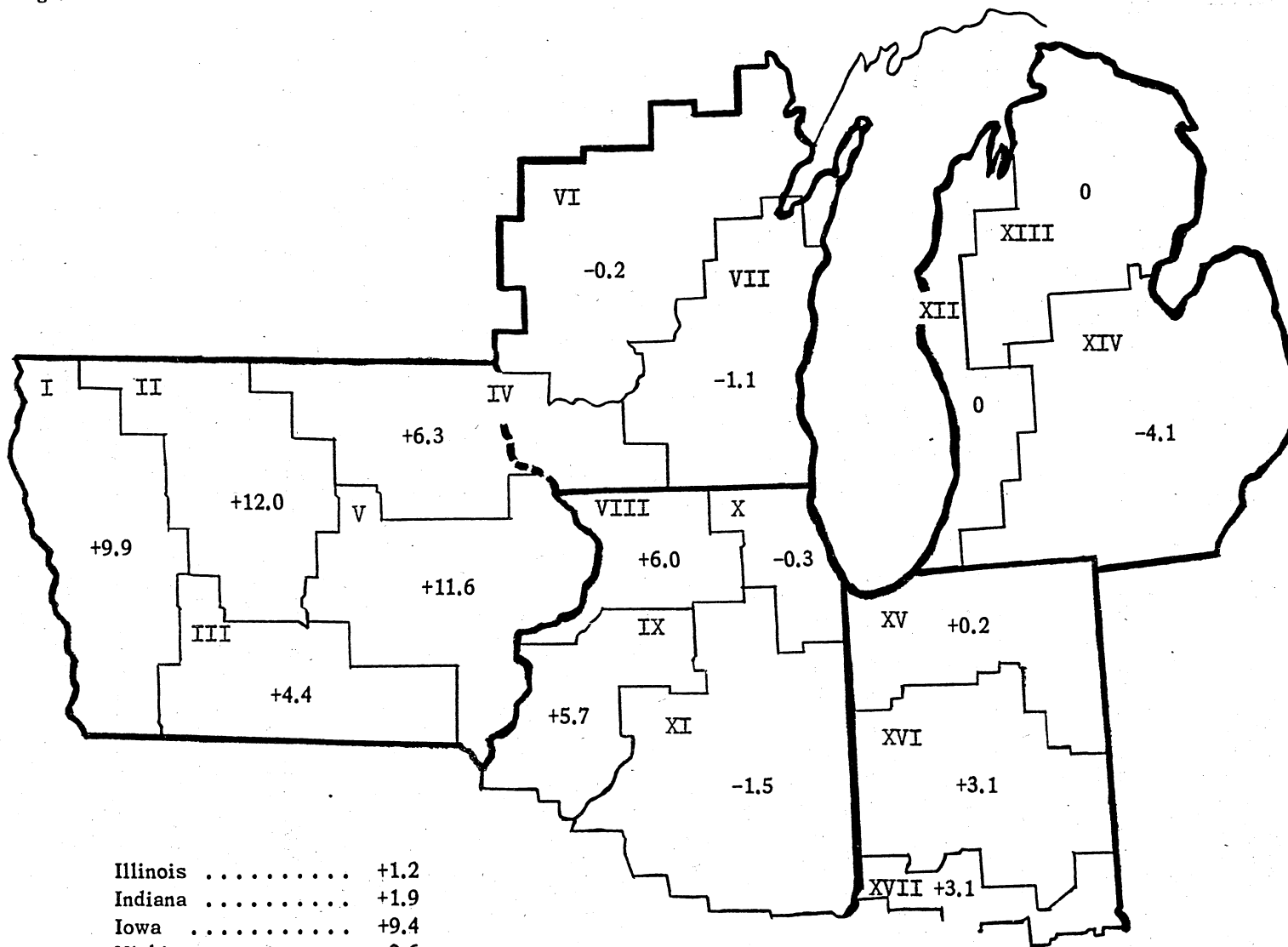
Not only are fed cattle being held in feedlots for longer periods but also they are being marketed at heavier weights. Steers sold for slaughter at Midwest markets averaged 3 per cent heavier in the last half of 1958 than a year earlier and exceeded previous weight records. Lower grades of slaughter steers—standard, commercial, and utility—showed much larger gains in average weight than good and choice kinds.

The total slaughter of cattle and calves in 1959 will be affected only slightly by the increase in the number on feed at the beginning of the year. In 1958, total slaughter of cattle and calves amounted to 34.7 million head, of which 10.8 million consisted of grain-fed animals. Thus, the increase of 600,000 in the number on feed on January 1 would represent less than 2 per cent of the total slaughter last year. Further, if the build-up of cattle-breeding herds on the ranches of the West continues in 1959, the number of "grass" cattle coming to slaughter may remain at low levels. Therefore, the prices of fed cattle in 1959 could average nearly as high as last year.

FARM MACHINERY SALES in December were 3 per cent above last year in the Seventh Federal Reserve District, according to recent estimates by country bankers (see back of Letter). They were 9 per cent higher than a year earlier in Iowa, 6 per cent higher in western Illinois and 3 per cent higher in central Indiana. Other areas showed little change or declined slightly. The pattern of changes in farm income in 1958 apparently explains the high increases in machinery sales across Iowa, which had a sharp increase in income over the previous year, while Michigan and Wisconsin show no change or declines in sales and had only small changes in farm income.

Research Department

Farm machinery dealers' sales in December compared with a year ago  
 (per cent change)



Illinois .....	+1.2
Indiana .....	+1.9
Iowa .....	+9.4
Michigan .....	-2.6
Wisconsin .....	-0.2
 SEVENTH DISTRICT .	 +2.6