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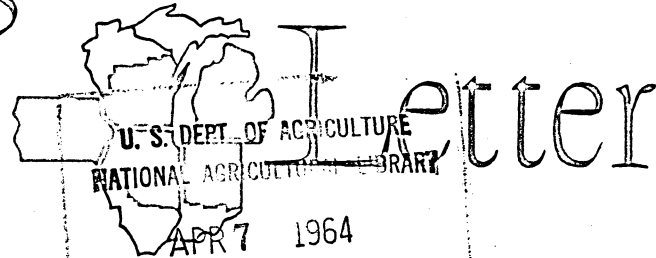
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Federal Reserve Bank of Chicago - -

March 13, 1964

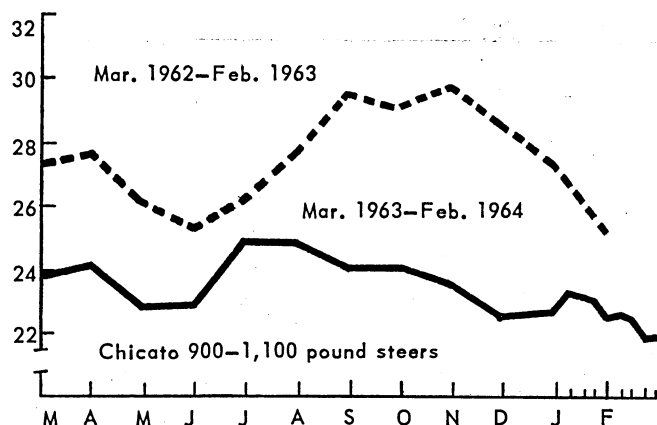
Agricultural



CATTLE PRICES at Chicago have continued at depressed levels during the early months of 1964. Prices of choice slaughter steers at Chicago averaged about \$22.25 per hundredweight during February—about \$1 below January and nearly \$3 less than in the corresponding year-earlier period.

Cattle Prices Continue at Low Levels

dollars per cwt.



Larger supplies of beef and other meats are the major cause of the lower prices. Cattle slaughter under Federal inspection during January was 12 per cent above a year earlier and about 10 per cent more than last December. During February, slaughter was about 8 per cent above the same month last year.

At the same time, slaughter weights have remained above year-ago levels, reflecting delayed marketings by farmers who had been hoping for improved prices. Slaughter weights in January averaged about 12 pounds per head more than during the preceding January and 19 pounds more than in January 1962. Consequently, beef production averaged about 13 per cent above year earlier in both January and February.

Hog slaughter during January and February also was up, averaging more than 7 per cent higher than last year and 12 per cent above two years ago. Poultry supplies, too, rose from 1963 levels—up 9 per cent.

Prospects for reduced supplies and therefore for rising prices during the next few months appear good. First, smaller supplies of pork are expected. The fall pig crop was 4 per cent smaller than in 1962 and this will be reflected in pork supplies through the spring months. Second, marketings of beef cattle will probably drop below year-earlier levels during the second quarter. The number of cattle and calves on feed as of January 1 was only 1 per cent below the record number last year but large numbers of cattle were concentrated in the heavy weight groups. The number of cattle weighing

over 900 pounds was up 11 per cent from the total for last January while the number of animals weighing 700-900 pounds was down 6 per cent. The heavy slaughter in January and February probably indicates that most of these heavy weight cattle have moved to market.

With fewer cattle in the 700-900 pound group on feed in January—the bulk of which will be marketed in late March and April—there probably will be a smaller cattle slaughter during the second quarter than during the corresponding year-earlier period.

Prices of fed cattle, therefore, are expected to improve from current levels during the next few months and during the second quarter will probably run at least a couple of dollars above the average of \$23 for choice steers at Chicago during the same quarter last year. However, the improvement may not last very long.

Large beef supplies and accompanying lower prices could be in the offing during late summer and fall of this year. The danger arises from possible bunching of feeder cattle in shipments during the next few months. Feeder cattle in shipments in the fourth quarter of 1963 averaged about 9 per cent below those during the same period in 1962. The feeder cattle movement in January, however, showed a substantial pick up.

In shipments to the Midwest during January totaled 525,000 head—up 56 per cent from last year and 10 per cent above the record 476,000 in 1961. While in shipments in January only amounted to about half the total of the heavy months of October and November, the size of the increase is significant. Also, the expected price rise for fed cattle this spring undoubtedly will increase the demand for feeder replacements. Furthermore, with large numbers of feeder cattle on western ranges, dry weather could encourage larger marketings.

If feeder cattle movements do pick up sharply in the next few months, fed cattle marketings would tend to be concentrated in late summer and fall months and prices of fed cattle could drop below the depressed level of 1963.

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