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FEEDER CATTLE PRICES have declined since the beginning of the year and currently are well below the relatively high levels of a year ago. In the second week of June, choice 500-800 pound feeder steers averaged $21.50 per hundredweight at Kansas City—about $2 below the January average and more than $4 below year earlier—while 300-550 pound choice steer calves were bringing about $24 per hundredweight compared with nearly $29 a year ago.

During the first quarter, there appeared to be good prospects for improved prices for fed cattle. This, coupled with feeder cattle prices below year-earlier levels, encouraged large inshipments of feeder replacements to the Midwest. Fed cattle prices, however, not only failed to rally, they continued to decline through the first half of June. Consequently, feeder cattle inshipments to Midwest feedlots have been sharply curtailed thus far in the second quarter despite declining feeder prices.

During April, about 27 per cent fewer feeder cattle were shipped into the leading Corn Belt states than a year earlier, and reports from terminal markets indicate that purchases of feeder cattle during May and early June were also below year-ago levels.

While summer and fall prices for feeder cattle will, of course, be influenced by the trend in fed cattle prices, they also will be affected by weather conditions in grazing areas and by the production of feed grains.

Last year, excellent range conditions and record feed grain production softened some of the impact of low fed cattle prices on feeder prices. As a result, feeder prices held close to the relatively high year-earlier levels until late summer.

This year, the June 1st report of crop conditions indicated that prospects for both crops and grazing at that time were somewhat more favorable than a year earlier. Since then, moreover, rains over much of the nation may have improved prospects further. Also, fed cattle prices at Chicago registered a sharp increase last week: choice steer prices jumped to $23.75—nearly $2 per hundredweight above the previous week but still about the same as the relatively low level of a year ago. Most market observers, however, do not expect a further substantial and sustained increase.

The available supply of feeder cattle this summer and fall probably will be substantially greater than a year ago, reflecting larger inventories at the beginning of the year and an expected increase in the calf crop over the 1963 crop. Moreover, many cattle feeders suffered substantial losses on cattle fed during the winter and spring and they are likely to be extremely cautious about bidding up feeder prices this summer and fall. Consequently, unless extremely good range conditions prevail and fed cattle prices show marked improvement, feeder cattle prices are not likely to increase significantly from present levels.

CORN PRICES to date have been above or close to the relatively high year-earlier levels even though fewer bushels are being consumed and 1963 production was a record high. During the first six months of the current marketing year—October through March—domestic use of corn dropped nearly 9 per cent from the year-ago level, apparently reflecting the less favorable livestock-feed price ratios. The decline in domestic corn consumption was offset somewhat by larger foreign shipments—up 41 per cent—but total utilization was still 104 million bushels or 5 per cent below that of the first half of the previous marketing year. Based on current prospects, utilization for the entire marketing year is expected to be about 3.9 million bushels or nearly 3 per cent below the the total of a year earlier. This decline, coupled with the larger 1963 crop, would boost the carry-over nearly 18 per cent over that on hand last October.

The price strength apparently has stemmed primarily from sharply reduced sales by the Commodity Credit Corporation. Corn sales by CCC during October through March 22 totaled 128 million bushels or only about one-fourth of the amount sold during the corresponding year-earlier period.

Large "free supplies"—up 21 per cent over a year ago as of April 1—and the lower consumption rate are likely to limit corn price advances during the remainder of the marketing year. In contrast, corn prices moved up throughout the summer months last year until harvest-time.

Furthermore, while farmers had to repay CCC loans at the 1962 rate of $1.20 per bushel to redeem their corn last year, corn under loan can be brought back into the market this year by repayment of the 1963 loan rate of $1.07 per bushel.

Roby L. Sloan
Agricultural Economist