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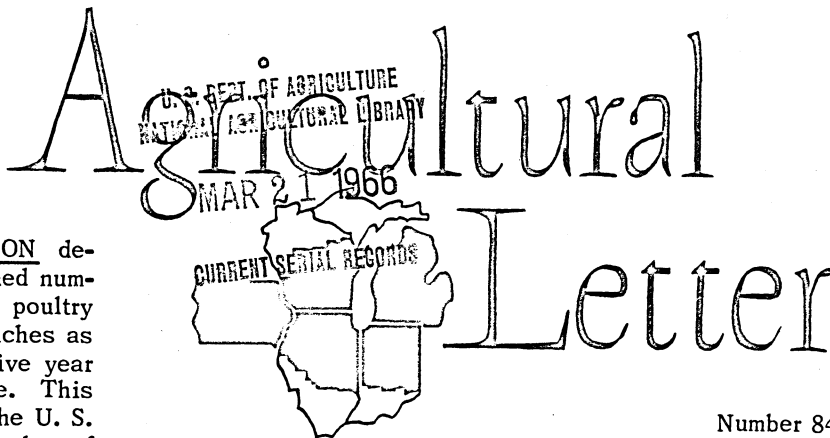
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THE NATION'S LIVESTOCK POPULATION declined slightly during the past year. The combined number, as measured by the index of livestock and poultry (excluding commercial broilers) on farms and ranches as of January 1 declined for the second consecutive year and stood at 110 per cent of the 1957-59 average. This was 1 per cent below the year-earlier number. The U. S. Department of Agriculture estimates that the number of each species of livestock and poultry declined, with the exception of turkeys, and that this indicates a further reduction in the production of livestock and livestock products during the current year.

Despite the slight overall decline in the number of animals, the accompanying sharp increase in prices boosted the aggregate value to a record level. The total value of all livestock and poultry as of January 1 (at the ten prevailing prices) was estimated at \$17.5 billion—up 22 per cent from a year earlier and 19 per cent above the previous record in 1963.

The important livestock producing states of the Seventh Federal Reserve District experienced a somewhat larger-than-average increase in livestock inventory values. The value of livestock and poultry in Iowa jumped \$438 million or 33 per cent, and the value in Illinois increased \$217 million or 28 per cent.

The small decline in the number of cattle during 1965 followed the steady rise since 1958 and is interpreted as the beginning of a cyclical decline in the nation's cattle herd. Cattle on farms and ranches declined to 106.6 million head from the record 107.2 million last January, a reduction of about 1 per cent. The decline, however, resulted solely from the continuation of the downtrend in dairy cattle, which was at an accelerated rate in 1965 compared with other recent years.

Dairy cattle declined about 1.5 million head or 6 per cent, compared with a 3 per cent decline during 1964. This was the sharpest drop in dairy cattle since 1946 and brought the total to 25.2 million—the lowest since 1900. The acceleration in the trend toward fewer milk cows can be attributed primarily to the smaller returns relative to other alternative farm enterprises. Also, the higher prices for beef caused dairymen to cull their herds more closely as well as causing some to shift to production of beef cattle or other agricultural commodities. In Iowa, Illinois and Indiana, for example, where income from hogs and beef cattle have been high in relation to the earnings from dairy cattle, numbers declined 8 to 9 per cent. In Wisconsin, where alternatives are limited, the number of dairy cows declined only 4 per cent.

Beef cattle numbers continued to increase although the gain of 1 per cent from a year ago was the smallest annual increase since the beginning of the present 1958 rise in numbers. Further, all of the increase was in calves and steers—up 2 and 6 per cent, respectively.

Cows, two years and older, numbered about the same as a year earlier. However, potential breeding herd replacement stock—heifers, one to two years old—declined about 2 per cent.

Cattle Cycle Turns Downward

Jan. 1	Milk cows	beef cattle	total	year of increase	change from previous year (per cent)
	(million head)				
1955	35.4	61.2	96.6	6	+0.9
1956	34.2	61.7	95.9	—	-1.6
1957	33.3	59.6	92.9	—	-2.3
1958	32.0	59.2	91.2	—	-1.8
1959	30.7	62.6	93.3	1	+2.3
1960	30.2	66.1	96.3	2	+3.1
1961	29.9	67.6	97.5	3	+1.4
1962	29.6	70.5	100.1	4	+2.5
1963	28.7	75.1	103.8	5	+3.7
1964	27.6	79.1	106.7	6	+2.9
1965	26.7	80.5	107.2	7	+0.5
1966	25.2	81.4	106.6	—	-0.6

Production of beef likely will continue near that experienced during the past year although this will depend in large part upon the rate at which heifers are placed in breeding herds. Prices of feeder cattle currently are averaging well above a year ago; ample feed supplies are available, and high levels of consumer demand for beef are projected—all of which are factors conducive to enlarging beef breeding herds and maintaining operations in the industry at high levels.

Hog numbers were estimated at 51.2 million head—4 per cent below a year earlier and the smallest since 1955. However, this decline was somewhat smaller than was expected on the basis of an earlier survey in December 1965. At that time, farmers reported plans to farrow about 6 per cent more sows during the December through May period. If farmers follow through on such plans, marketings of hogs are likely to exceed year-earlier levels during the second half of this year.

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