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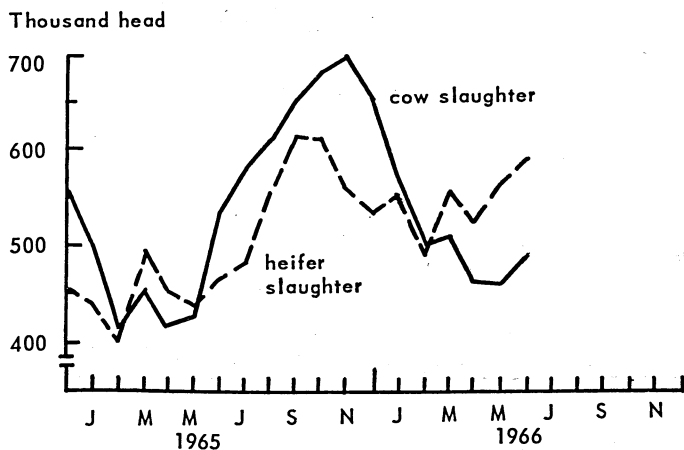
August 12, 1966

THE CALF CROP is expected to decline this year after seven consecutive years of increase. The 1966 crop is currently expected to total about 42.3 million head—2 percent less than the previous year, according to the U. S. Department of Agriculture.

The smaller calf crop can be attributed solely to a reduction in number of cows inasmuch as the calving percentage was equal to that of the past year. As of January 1 of this year, cows and heifers two years old or more on farms totaled 49.1 million head compared with 50.4 million the same date a year earlier.

Nearly all areas in the nation show a decline in the calf crop. The largest reductions are indicated in the North Central states—which range from slight decreases in South Dakota and Nebraska to declines of 7 percent in Minnesota and Michigan. The sharper declines in the Midwest probably reflect the sharp cutback in dairy herds—as of January 1 dairy cows totaled 6 percent fewer than the preceding year.

Cow and Heifer Slaughter Above Levels of Previous Year



Judging from the high level of slaughter of breeding stock and of potential herd replacement stock thus far this year, it is likely that the nation's calf crop in 1967 will show a further decline. Even though calf prices have averaged above 1965 and other recent years, cow slaughter during the first half of the year averaged about 8 percent above a year ago and heifer slaughter was up nearly 22 percent. Cow slaughter dropped below the year-earlier level in June, but heifer slaughter has continued higher. The number of heifers on feed as of July 1—which presumably will be slaughtered in succeeding months—was 15 percent above the number in feedlots a year ago.

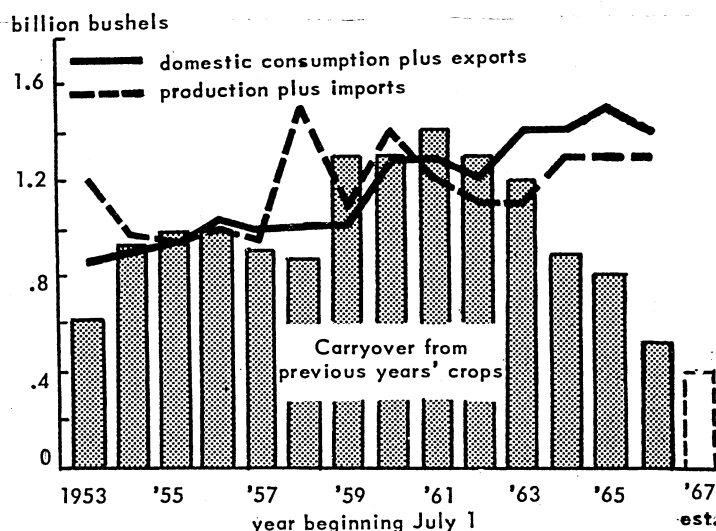
Drought conditions are forcing cattlemen in some areas to reduce their herds. However, in most areas the cutback reflects farmers' and ranchers' routine management decisions. Presumably, it is expected that sale of heifers and calves will prove to be more profitable than continuing to expand their herds.

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Agricultural Letter

Number 869

Wheat Inventory Smallest in Many Years



The national wheat allotment for 1967 has been increased further in response to declining stocks and prospects for continued strong demand. Government financed exports are expected to continue at the recent high levels. The latest announcement that wheat allotments would be increased by 8.9 million acres follows an announcement earlier this year that allotments would be increased 7.7 million acres. This will permit farmers to plant up to 68.2 million acres for the 1967 harvest—although it is not expected that the entire allotment will be planted.

Since 1962, the Government has attempted to reduce the substantial stocks of wheat accumulated during the Fifties, by inducing farmers to withhold wheat acreage from production. As a result of this and a sharp expansion in Government financed exports, the wheat carryover has dropped from a high of about 1.4 billion bushels in 1961 to somewhat over 500 million bushels this year. If utilization of wheat during the current marketing year were equal to that during 1965-66, the carryover next July 1 would be well below 300 million bushels. However, an expected cutback in Government shipments abroad and a decline in domestic consumption because of sharply higher prices (especially in wheat fed to livestock) is expected to hold next year's carryover to near 400 million bushels.

Roby L. Sloan
Agricultural Economist

FARM BUSINESS CONDITIONS

May 1966 with Comparisons

I T E M S	1966		1965
	May	April	May
PRICES:			
Received by farmers (1957-59=100)	109	110	104
Paid by farmers (1957-59=100)	114	114	110
Parity price ratio (1910-14=100)	79	80	78
Wholesale, all commodities (1957-59=100)	106	106	102
Paid by consumers (1957-59=100)	113	113	110
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.66	1.64	1.46
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.31	1.31	1.38
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.75	.75	.76
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	3.05	2.98	2.86
Hogs, barrows and gilts, Chicago (dol. per cwt.)	23.48	22.43	20.71
Beef steers, choice grade, Chicago (dol. per cwt.)	26.75	27.98	26.88
Milk, wholesale, U. S. (dol. per cwt.)	4.33	4.45	3.89
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.63	.62	.59
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.16	.15	.15
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.33	.38	.29
Milk cows, U. S. (dol. per head)	243	242	208
Farm labor, U. S. (dol. per week without board)	--	55.25	--
Factory labor, U. S. (dol. earned per week)	112.05	111.24	107.53
PRODUCTION:			
Industrial, physical volume (1957-59=100)	155	153	142
Farm marketings, physical volume (1957-59=100)	89	88	87
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	573	571	528
Cash farm income, U. S. ¹ (annual rate, bil. of dol.) . .	41.6	45.2	38.2
EMPLOYMENT:			
Farm (millions)	4.3	4.2	5.1
Nonagricultural (millions)	69.5	68.9	67.3
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	120	122	112
Nonagricultural banks (1957-59=100)	117	121	114
Time deposits:			
Agricultural banks (1957-59=100)	228	225	198
Nonagricultural banks (1957-59=100)	245	243	218
¹ Based on estimated monthly income.			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.