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# Agricultural Letter

June 2, 1967

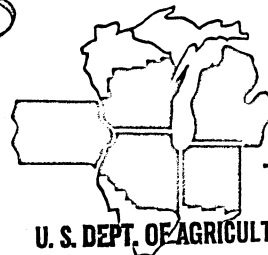
FEEDER CATTLE SHIPMENTS into the Midwest have lagged well behind the year-ago pace. During April about 17 percent fewer feeder cattle were shipped into the eight leading Corn Belt states than a year ago. The April shipments combined with those since the beginning of the year brought the total number received in these states to about 7 percent below the comparable year-earlier number. In the Seventh District's principal cattle feeding states—Illinois, Indiana and Iowa—shipments have run about 10 percent below a year ago. This apparent curtailment in feeding activity could point to lower fed cattle marketings during most of the remainder of 1967.

Feeder cattle prices have fluctuated within a narrow range of \$1 to \$2 below the year-earlier levels since the beginning of the year. In the week ending May 30, 550-750 pound choice feeder steers at Kansas City averaged about \$27.35 per hundredweight—about \$1 below a year ago—while 300-350 pound choice steer calves were bringing about \$31 per hundredweight compared with about \$32 a year ago.

Despite the prevailing lower prices, feedlot operators have shown little enthusiasm for purchasing large numbers of feeder animals apparently because of the uncertainty regarding prospective fed cattle prices at the time these animals would be ready for market. Returns from feedlot operations have been relatively unprofitable since last fall, reflecting both lower prices for finished animals and the higher costs of feed. Although fed cattle prices have improved somewhat in recent weeks they are still about \$1 per hundredweight below those at this time last year and corn prices are about 10 cents per bushel higher.

The trend in fed cattle prices, of course, will strongly influence the demand for and the prices of feeder cattle during the summer and fall months. Feeder cattle prices will also be affected by weather conditions in grazing areas and the prospective production of feed grains. Grazing conditions have been less favorable than last year but recent rains have improved conditions somewhat and prospective feed grain production is likely to be substantially larger than last year's output reflecting the expansion in acreage planted. These factors would appear likely to increase the demand for feeder animals over the next several months.

The total supply of young beef animals available for feeding, however, is slightly smaller than a year ago. The U. S. Department of Agriculture estimates place the number of beef animals not on feed as of April 1 at about 150,000 below a year earlier. Moreover, steers accounted for all of the decline—down nearly 550,000 head—



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while heifers numbered about 400,000 more than a year ago. Calf slaughter—which has averaged about 11 percent below a year earlier since the beginning of the year—is expected to continue well below a year ago. While this will tend to increase the available supply of feeder stock, the effect will probably be more than offset by the expected holding of heifers to buildup breeding herds. The available supply of animals for feeding, therefore, is expected to be somewhat below that of 1966.

The dairy situation has improved since last year. The index of prices dairy farmers received for dairy products in the first quarter of 1967 averaged about 10 percent above the comparable year-earlier period. Although prices have declined as milk production has risen seasonally, prices have continued well above last year's levels. The higher price support will keep prices at relatively high levels.

Farmers have responded by boosting milk production. Milk output during the first four months of this year has averaged slightly above the year-ago level reflecting both increased production per cow and a slowing in the rate of decline in the number of milk cows. In January through April, output per cow rose about 4 percent from a year ago. Dairy cow numbers declined about 4 percent during the first quarter compared with the nearly 6 percent decline during the first quarter last year.

Farmers have bid up the price of milk cows. Milk cow prices averaged \$256 during the first quarter—the highest on record. Also, the differential between milk cow prices and prices of slaughter cows has remained at a high level. This difference increased during 1966 from about \$47 per head in the first half to about \$75 in the second half and has continued at this higher level thus far this year. This wide differential will tend to encourage dairy farmers to cull dairy herds less heavily.

Roby L. Sloan  
Agricultural Economist