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April 25, 1969

Agricultural Letter



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CATTLE ON FEED totaled well over 11 million head on April 1—7 percent more than a year before. As the Department of Agriculture had predicted, marketings in the first quarter were 6 percent higher this year than last. Marketings would have been still higher had it not been for extremely severe weather in the Midwest. Marketings in that region were 1 percent less than a year before. Marketings in the western states, on the other hand, were 18 percent higher than in the first quarter of 1968.

Fewer cattle were placed on feed in the first quarter than a year before—1 percent fewer for the nation. In the 12 north-central region states—which include Iowa and Nebraska, the nation's two leading cattle feeding states—placements were 12 percent below year-before levels. Part of this decline can be attributed to the slower feed-lot turnover resulting from cattle not making normal gains during the hardest part of the winter.

Placements in western states were 24 percent more in the first quarter than a year before. When feeder cattle are scarce—as they have been this year—western feeders are often able to outbid Corn Belt farmers for the available stock. This is because of their lower operating costs, less risk of adverse weather, and closer proximity to source of supply.

This year, western feedlot operators have also benefited from a more favorable corn-sorghum price ratio. Because of the prolonged Gulf Coast dock strike, sorghum grain that normally flows into export channels had to be absorbed in the domestic market. This, together with larger production, depressed prices below year-before levels at a time when corn prices were recovering from year-before lows. Grain-sorghum prices in the first quarter averaged 5 cents a bushel less than last year, while corn prices averaged 4 cents higher.

Fed-cattle slaughter will probably continue at high levels for several months. Because of the increased number of cattle in heavier weight categories; marketings in the second quarter are expected to be about 6 percent higher than a year before. All the increase in marketings, however, is expected to come from feedlots in the western states. Marketings in the Midwest are expected to be about 1 percent less than last year.

This will still leave the nation with about 9 percent more cattle on feed to be marketed later. Unless fed-cattle placements are sharply curtailed in the next couple of months, marketings will probably continue well above year-before levels through most of the second half.

The expected increase in fed-beef supplies will be moderated to an extent by reduced slaughter of nonfeds and cows. But supplies are still certain to remain large. In addition, supplies of other meats are apt to run larger than a year before. Increases are indicated for both pork and poultry supplies.

Prices of fed beef are likely to continue favorable, holding near-current levels despite the indicated larger supplies of meats. Consumer demand for meats, especially beef, has been very strong for several months. It will probably continue strong even though fiscal and monetary policies are aimed at slowing overall demand.

Break-even Prices for Fed Cattle*

Price of feeders (net at farm) <i>dollars per cwt.</i>	Price of corn per bushel (dollars)				
	.90	.95	1.00	1.05	1.10
635 lb. yearling steers					
	Selling prices—1150 lb. steers <i>dollars per cwt.</i>				
29	25.90	26.22	26.53	26.84	27.16
30	26.46	26.78	27.09	27.40	27.72
31	27.01	27.33	27.64	27.95	28.27
32	27.56	27.88	28.19	28.50	28.82
450 lb. steer calves					
	Selling prices—1050 lb. steers <i>dollars per cwt.</i>				
33	25.45	25.81	26.16	26.51	26.87
34	25.88	26.24	26.59	26.94	27.30
35	26.31	26.67	27.02	27.37	27.73
36	26.74	27.10	27.45	27.80	28.16

*Includes charges for labor and overhead.
Note: All figures are for choice grade.
SOURCE: Iowa State University.

Feeding margins are nevertheless apt to be narrow for the rest of the year, reflecting the rising costs of feed and feeder animals. According to data based on Iowa State University budgets, current feeder-cattle prices and feeding costs indicate a break-even price for fattened steers of about \$28.70 a hundredweight. Prices in October and December beef-futures contracts are about \$29 a hundredweight. The break-even price depends, of course, on the type of feeder purchased, the rate charged for labor and overhead, and local differences in feed costs.

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