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# Agricultural Letter



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**CATTLE ON FEED** numbers are down substantially, but the implications for future slaughter supplies are more uncertain than ever. According to the U. S. Department of Agriculture, the April 1 inventory of cattle in feedlots in the 23 major feeding states was 8 percent lower than a year ago and 4 percent lower than two years ago. Placements of cattle into feedlots fell 12 percent during the first quarter, marking the fourth consecutive quarter of sharp year-to-year declines. Marketings of fed cattle fell by 8 percent, a surprisingly large decline since commercial slaughter equaled the year-earlier level during the first quarter and since the January inventory reflected an abundance of heavyweight cattle on feed.

The weight distribution of the cattle on feed continues to indicate a large number of heavyweight cattle and a sharp decline in medium and lightweight cattle. The inventory of steers weighing 900 pounds or more plus heifers 700 pounds or over was 8 percent greater than a year ago on April 1 and 14 percent larger than two years ago. In contrast, medium and lightweight cattle numbered 16 percent less than a year earlier and 14 percent less than two years ago.

Weight distributions historically have provided a fairly accurate basis for projecting future marketings. But the problems that surfaced last year in the relationship between inventory estimates and subsequent marketings appear to have become enlarged. For example, based on the fairly consistent trend from 1963 to 1972, the April 1 inventory of heavy weight cattle would support a projection of 7.4 million head of fed cattle marketings during the second quarter. This greatly exceeds the actual marketings of a record 6.7 million head in 1972 and 6.3 million last year, and the 6.3 million head that producers indicated they intend to market during the second quarter of this year. There is little doubt that price controls, consumer boycotts, and the DES ban caused distortions in marketings last year. But given the full year of sharply lower placements, and even assuming a substantial shift toward "short feeding," it is unlikely that such factors could have created the extensive backup of cattle suggested by the current estimate of heavyweight cattle. Indeed, it would seem the discrepancy that surfaced a few years ago between the cattle on feed estimates and the census data still exists.

**Slaughter projections** are still highly uncertain. Nevertheless, the heavy marketings of cattle the past few weeks may continue for a short period. Since mid-March, cattle slaughter has equaled the corresponding level of two years ago but exceeded the low levels of last year by 15 percent. However, many observers still feel this larger volume of marketings will soon taper off and will be followed by at least a brief period of reduced marketings. This should provide the basis for some uptrend in cattle prices into the summer months. From the supply side, the level and the tim-

ing of the summer peak will probably be influenced mostly by the weight and volume of cattle moving into feedlots. The reportedly abundant supply of yearling feeder stock could limit the price advance and cause an early summer peak. But as yet there is no clear evidence that either the number or the weight of feeder cattle placements has started to pick up. (The USDA's sample of feeder cattle sold at major midwestern markets continues to reflect below-year-ago weights, although feeders moving directly to western feedlots may be heavier.) Moreover, large financial losses of the past seven months, uncertainty of future profit prospects, high interest rates, and widely fluctuating prices of feed and cattle are not conducive to any sizable expansion in placements.

Demand will also play an important role in the extent of the price recovery. A Japanese embargo and the strict Canadian ban on cattle fed DES have cut the comparatively minor foreign demand. (The U. S. ban on DES was lifted earlier this year pending the outcome of some legal questions.) But more importantly, widespread inflation and abundant poultry supplies have limited consumers' expenditures for red meat and caused incomes to demand to fall from the unusually high levels of last year.

The lagging foreign and domestic demand is reflected in the unusually large cold storage stocks of meat. As of April 1, the record cold storage stocks of beef were one-third larger than a year ago and a whopping two-thirds larger than in 1972. Similarly, stocks of pork and poultry were up 45 and 87 percent, respectively, from the low levels of a year ago. While such stocks represent only a small fraction of annual production, they will continue to represent a bearish factor on livestock prices until consumer demand shows some recovery.

On balance, the cattle on feed numbers suggest the possibilities for a large surplus of marketings this spring and a substantial shortage after midyear. But more realistically, it would seem that these swings will be much more moderate. While cattle prices are expected to be up from current levels during the summer months, the less aggressive consumer demand is likely to limit the increase.

Gary L. Benjamin  
Agricultural Economist

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## AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change	
				Prior period	Year ago
<b>INDEX OF PRICES</b>					
Received by farmers	1967=100	March	194	- 4	+ 22
Crops	1967=100	March	218	- 2	+ 56
Livestock	1967=100	March	179	- 6	+ 3
Paid by farmers	1967=100	March	161	+ 1	+ 17
Production items	1967=100	March	162	+ 1	+ 17
Family living items	1967=100	March	156	+ 2	+ 17
Ratio of prices received to prices paid	1967=100	March	120	- 6	+ 4
Consumer price index ( <i>all items</i> )	1967=100	March	143	+ 1	+ 10
Food at home	1967=100	March	161	+ 1	+ 20
<b>CASH FARM PRICES (<i>U. S. average</i>)</b>					
Corn	dol. per bu.	March	2.68	- 3	+ 96
Soybeans	dol. per bu.	March	5.96	- 2	- 1
Wheat ( <i>all</i> )	dol. per bu.	March	4.96	-10	+141
Sorghum grain	dol. per cwt.	March	4.25	- 3	+ 63
Oats	dol. per bu.	March	1.40	- 3	+ 82
Beef steers and heifers	dol. per cwt.	March	42.90	- 8	- 7
Hogs	dol. per cwt.	March	35.00	-11	- 9
Milk, all sold to plants	dol. per cwt.	March	8.93	0	+ 37
Milk cows	dol. per head	March	543	0	+ 18
Chickens, broilers, live	cents per lb.	March	22.5	- 5	- 3
Eggs	cents per doz.	March	56.6	-12	+ 20
<b>INCOME (<i>seasonally adjusted annual rate</i>)</b>					
Cash receipts from farm marketings	bil. dol.	4th Qtr.	101.2	+20	+ 57
Net farm income	bil. dol.	4th Qtr.	30.4	+19	+ 43
Nonagricultural personal income	bil. dol.	February	1,055.4	+ 1	+ 9
<b>FARM FINANCE</b>					
Total deposits at agricultural banks <sup>1</sup>	1967-69=100	March	200	+ 1	+ 17
Time deposits	1967-69=100	March	243	+ 2	+ 19
Net demand deposits	1967-69=100	March	158	+ 1	+ 16
Total loans at agricultural banks <sup>1</sup>	1967-69=100	March	223	+ 1	+ 20
<b>Production Credit Associations</b>					
loans outstanding:					
United States	mil. dol.	February	7,960	+ 2	+ 18
Seventh District states	mil. dol.	February	1,324	0	+ 12
new loans made:					
United States	mil. dol.	February	1,234	-17	+ 11
Seventh District states	mil. dol.	February	236	-14	+ 7
<b>Federal Land Bank Associations</b>					
loans outstanding:					
United States	mil. dol.	February	11,402	+ 1	+ 22
Seventh District states	mil. dol.	February	202	+ 2	+ 16
new loans made:					
United States	mil. dol.	February	231	-24	+ 18
Seventh District states	mil. dol.	February	41	+ 3	+ 21
<b>Interest rates</b>					
Three-month Treasury bills	percent	week ended 4/24	7.96	- 2	+ 28
Federal funds rate	percent	4/24	10.78	+ 4	+ 51
Government bonds ( <i>long-term</i> )	percent	4/24	7.99	+ 1	+ 16
<b>AGRICULTURAL TRADE</b>					
Agricultural exports	mil. dol.	February	1,918.5	+ 4	+ 62
Agricultural imports	mil. dol.	February	806.9	- 1	+ 31
<b>FARM MACHINERY SALES</b>					
Farm tractors	units	January	15,269	- 4	+ 23
Combines	units	January	1,203	-31	- 41
Balers	units	January	740	-32	- 10

<sup>1</sup> Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.