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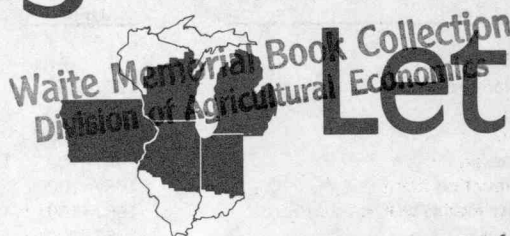
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THE INVENTORY OF ALL CATTLE is down from a year ago, but the number of cattle on feed is up sharply. According to the U.S. Department of Agriculture the inventory of all cattle and calves in the United States was down to 128 million head on January 1, 1976. The 3 percent decline from the year-earlier record marked the first annual decline since 1966. Cattle in feedlots, however, numbered 12.9 million head, 27 percent above the year-ago level. These findings suggest cattlemen are well along in the inventory adjustments needed to improve the industry's long-run economic health. Moreover, a sharp increase in fed cattle marketings will continue to boost beef supplies in the near term.

The reduction in the inventory of all cattle was somewhat larger than anticipated and reflects an unprecedented volume of cattle and calf slaughter in 1975 and a slight reduction in the calf crop. Just over 50 million head of calves were born last year, down less than 1 percent from the 1974 record. The increase that the calf crop contributed to the total cattle inventory, however, was offset by a 16 percent rise in slaughter and a 15 percent increase in death losses. Current estimates indicate total cattle and calf slaughter rose to 46.9 million head in 1975, while death losses increased to 7 million head.

Among major categories of cattle, comparatively large declines were evident in the inventory of beef cows and in the number of heifers held for beef cow replacements. The relatively large declines in these two categories support prospects that both the calf crop and the inventory of all cattle and calves may register a further slight decline during the current year.

The rise in cattle on feed reflects a marked increase in placements during the fourth quarter and a reduction in fed cattle marketings. Fed cattle marketings in the 23 major cattle feeding states fell 12 percent short of the year-earlier level in 1975 and reached a nine-year low. While fourth-quarter marketings remained 11 percent below the corresponding year-earlier period, placements of cattle on feed soared 27 percent. A 30 percent rise in placements in Iowa substantially exceeded the 5 to 16 percent gains posted for other district states.

January placements of cattle on feed in the seven monthly reporting states were well below late 1975 levels but 19 percent above a year ago. Most observers expect placements will remain above year-ago levels in the months ahead. The rate of increase, however,

may narrow due to the sharply reduced feeding margins following the recent slide in cattle prices.

Fed cattle marketings will be up substantially during the first half of this year. According to the recent USDA report cattle feeders intend to boost fed cattle marketings 12 percent above the low year-earlier level during the current quarter. However, the inventory of heavyweight cattle is sufficient to sustain a much larger increase, perhaps, as much as 20 percent. The potential increase, however, may not be realized if cattle feeders delay marketings as a result of the currently depressed cattle prices.

Most observers expect total cattle slaughter to decline seasonally in the months ahead but remain well above year-ago levels. While such expectations appear reasonable, the extent of the seasonal decline hinges on a substantial cutback in the unusually large volume of cow and nonfed steer and heifer slaughter experienced during the fourth quarter of 1975. Prospects for a marked reduction in cow and nonfed steer and heifer slaughter are supported by lower feed prices, higher feeder cattle prices, and the reduced inventory of all cattle and calves. Reports of drought and exceptionally high prices for hay in some areas, however, raise concern as to whether the decline in nonfed slaughter will be sufficient to significantly ease the burdensome beef supplies of the fourth quarter of 1975.

Cattle prices have recovered slightly in the past two weeks but remain somewhat below \$40 per hundredweight, up from about \$35 a year ago. While prices may remain relatively stable for a brief period, some recovery is expected in the months ahead. The timing and the extent of the recovery, however, will largely depend on the reduction in cow and nonfed steer and heifer slaughter. A sustained large volume of such slaughter may limit the recovery in cattle prices to the lower \$40s. On the other hand, prices in the upper \$40s are possible by midyear if a sufficient cutback is evident.

Gary L. Benjamin
Agricultural Economist

AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	January	186	- 0.5	+ 8
Crops	1967=100	January	188	0	- 6
Livestock	1967=100	January	185	- 1.1	+21
Paid by farmers	1967=100	January	191	+ 1.1	+ 6
Production items	1967=100	January	193	+ 0.5	+ 6
Wholesale price index (all commodities)	1967=100	December	179	+ 0.3	+ 4
Foods	1967=100	December	186	+ 0.1	+ 6
Processed foods and feeds	1967=100	December	181	- 0.9	- 4
Agricultural chemicals	1967=100	December	198	+ 0.1	+ 9
Agricultural machinery and equipment	1967=100	December	175	+ 0.5	+ 9
Consumer price index (all items)	1967=100	December	166	+ 0.4	+ 7
Food at home	1967=100	December	181	+ 0.5	+ 6
CASH PRICES					
Corn	dol. per bu.	January	2.44	+ 3.0	-21
Soybeans	dol. per bu.	January	4.46	+ 4.2	-29
Wheat	dol. per bu.	January	3.43	+ 0.6	-17
Sorghum	dol. per cwt.	January	4.06	+ 1.5	-18
Oats	dol. per bu.	January	1.44	+ 1.4	-11
Steers and heifers	dol. per cwt.	January	37.20	- 4.9	+20
Hogs	dol. per cwt.	January	47.50	0	+24
Milk, all sold to plants	dol. per cwt.	January	10.20	- 1.0	+22
Broilers	cents per lb.	January	24.3	+ 1.3	0
Eggs	cents per doz.	January	62.2	- 3.0	+ 9
INCOME (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	3rd Quarter	98	+11.4	+ 7
Net realized farm income	bil. dol.	3rd Quarter	28	+37.6	+11
Nonagricultural personal income	bil. dol.	November	1,249	+ 1.0	+ 9
FARM FINANCE					
Total deposits at agricultural banks ¹	1972-73=100	January	145	+ 0.6	+12
Time deposits	1972-73=100	January	162	+ 1.5	+18
Demand deposits	1972-73=100	January	122	- 0.2	+ 1
Total loans at agricultural banks ¹	1972-73=100	January	154	+ 0.5	+15
Production credit associations					
loans outstanding:					
United States	mil. dol.	November	10,452	- 1.1	+13
Seventh District states	mil. dol.	November	1,852	0	+19
loans made:					
United States	mil. dol.	November	1,195	- 3.2	+ 6
Seventh District states	mil. dol.	November	206	- 7.0	+14
Federal land banks					
loans outstanding:					
United States	mil. dol.	November	15,837	+ 0.8	+19
Seventh District states	mil. dol.	November	2,888	+ 0.9	+22
new money loaned:					
United States	mil. dol.	November	206	-22.0	-21
Seventh District states	mil. dol.	November	39	- 3.0	-12
Interest rates					
Feeder cattle loans ²	percent	4th Quarter	8.81	+ 0.2	- 2
Farm real estate loans ²	percent	4th Quarter	8.97	+ 0.4	- 1
Three-month Treasury bills	percent	1/29-2/4	4.82	+ 1.9	-14
Federal funds rate	percent	1/29-2/4	4.82	+ 0.4	-25
Government bonds (long-term)	percent	1/29-2/4	8.02	+ 0.1	+ 4
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	November	2,176	+ 4.5	- 8
Agricultural imports	mil. dol.	November	805	- 2.8	- 4
FARM MACHINERY SALES					
Farm tractors	units	November	9,495	-53.4	+ 6
Combines	units	November	1,130	-82.9	-34
Balers	units	November	500	-74.0	-27

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

² Average of rates reported by district agricultural banks.