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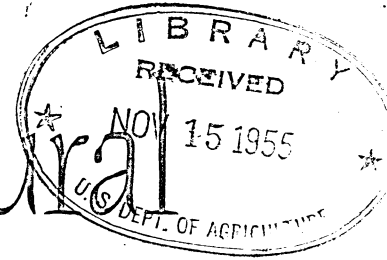
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Federal Reserve Bank of Chicago - -

October 28, 1955

Agricultural Letter



Number 324

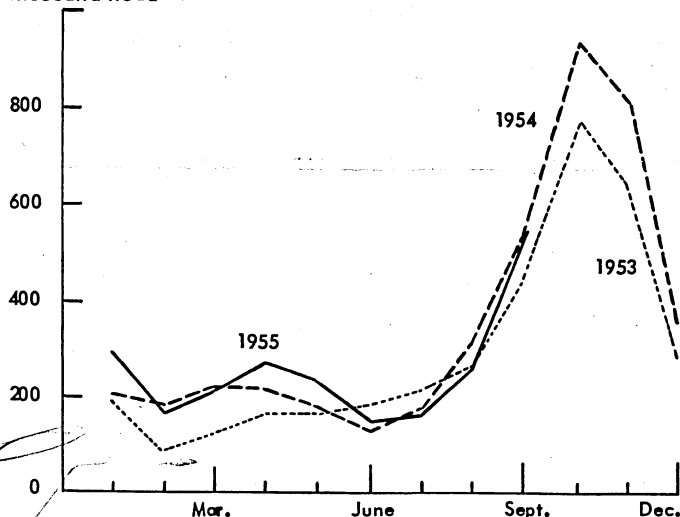
CATTLE AND CALVES on feed October 1 in 13 major feeding states were estimated to exceed the year-ago number by 19 per cent. However, in the Corn Belt states one-fourth more cattle were on feed than a year earlier. The larger gains registered in the Corn Belt were in part due to an earlier movement to feedlots from the drouth-hit pastures.

Heavyweight cattle on feed showed the largest increases. Many farmers, remembering the good profits received on cattle sold during December and January last year, are feeding heavy cattle this fall in anticipation of another strong seasonal price increase. The sizable supply of cattle on feed indicates that marketings of fed cattle will continue large for some time. Accordingly, the USDA believes that "prices of fed steers and heifers are unlikely to improve to any great extent in the near future and will remain considerably below their highs of last winter."

SHIPMENTS OF FEEDER CATTLE into eight Corn Belt states, after exceeding the year-earlier level by 16 per cent during the first half of 1955, dropped about 6 per cent below year-ago levels in the third quarter. As shipments during the fourth quarter usually account for nearly one-half of the total number of feeders purchased during the year, trends in replacement buying are being watched closely by lenders, farmers and the meat-packing industry.

SHIPMENTS OF FEEDER CATTLE INTO CORN BELT STATES

thousand head



Prices of feeder steers in recent weeks, averaging near \$18.00 a hundredweight at the major markets, are slightly below the year-earlier level. But with choice slaughter cattle currently selling about \$4.00 below last year and most observers expecting fat cattle prices to fluctuate near current levels in the months ahead, many feeders have been reluctant to buy cattle at current

prices. Moreover, many ranchers have larger feed supplies and hence are not as yet under pressure to sell. Partly as a result of the slower movement of cattle into feeding areas, some observers believe that not much change in feeder cattle prices is in prospect.

Another factor tending to limit purchases is the substantial reduction in the size of the corn crop in some of the Midwest feeding areas. In the important feeding states of Iowa and Nebraska where the corn crop is estimated to be, respectively, 15 and 45 per cent below last year's harvest, inshipments since midyear have totaled 3 and 35 per cent below year-ago levels. On the other hand, in Ohio, Indiana and Illinois where the corn crop is about equal to that of last year or larger, inshipments of feeder cattle have exceeded the year-ago level by 28, 6 and 5 per cent, respectively.

A RECENT SURVEY in the Seventh Federal Reserve District indicates that country bankers expect this pattern of replacement buying to persist in the coming months. In western Iowa, bankers expect farmers to purchase 15 per cent fewer feeder cattle this fall than last. In contrast, bankers in Indiana and parts of Illinois and Michigan, expect that purchases of feeder cattle will be larger than last year. Elsewhere in the District, changes from year-earlier levels are expected to be small.

A PORK BUYING PROGRAM that may extend over the next ten months was announced by the USDA early this week. As much as 85 million dollars may be spent for an estimated 170 million pounds of pork and 30 million pounds of lard. Purchases of this amount of pork would account for approximately 2 per cent of the total pork production of the period. Such a program probably should not be thought of as a floor price although it may limit some sharp declines that otherwise would have occurred during short periods of large marketings.

The announcement indicates that purchases will be limited to amounts for which outlets are available, thus avoiding a build-up of stocks that could depress the market at a later date. Purchased pork, largely canned items, will be donated to school lunches and certain domestic welfare organizations. Such outlets, of course, can accommodate only limited amounts of any one commodity without displacing usual purchases of the same or other commodities.

Research Department