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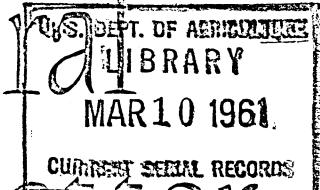
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Federal Reserve Bank of Chicago --

February 17, 1961

Agricultural Letter



Number 595

Cattle Inventory, January 1

THE NUMBER OF CATTLE AND CALVES on farms and ranches January 1, 1961, is now estimated at 97.1 million. This is slightly larger than the previous record of 96.6 million in 1955.

The number of beef cattle increased 1.2 million during 1960 while dairy cattle declined further to the lowest level since 1909. Compared with 1955, beef cattle have increased 6 million or 10 per cent and dairy cattle have declined 5.5 million or 16 per cent.

The greatest significance of the annual U. S. Department of Agriculture estimates of livestock on farms lies in the indications for prospective volume of slaughter and prices. Since the rate of build-up in cattle numbers has been relatively moderate in the current cycle and has slowed in the past year, the possibility of a sharp break in prices, as occurred in the 1952-53 feeding year, appears quite remote.

During 1960, the third year of the present build-up in numbers, less than 1 million cattle were added to inventory; whereas, in 1951, the third year of the previous cycle, the increase was on the order of 6 million. Although cattle production has been at a high level the past year or two, more of this production has been marketed and moved into consumption rather than being added to inventory as in the early years of the previous cycle.

This has had beneficial effects for both farmers and consumers as fluctuations of beef supplies and cattle prices have been minimized. And with a relatively slow build-up in cattle inventory there is less danger of large increases in beef supply and consequent severe price breaks if the inventory accumulation comes to an end.

Seasonal fluctuations in supplies and prices, of course, will continue. Furthermore, some downward trend in prices is expected the next year or two as beef supplies rise, especially if hog production should climb rapidly. Nevertheless, at the present time the current cattle cycle appears to have less than the usual complement of storm clouds on the horizon. Although increased beef supplies are in prospect for 1961, it is possible that cattle prices will be only slightly below 1959, at least until the fall. Even if drought were to cause liquidation of breeding herds in some of the grazing areas, the impact on cattle slaughter and prices probably would be less severe than in 1952-53, which followed a rapid build-up of numbers on farms.

Year	Kept for Milk	Beef Cattle	Total	Year of In- crease	Change in Inventory From Previous Year
					(percent)
1949	35.3	41.5	76.8	-	-0.4
1950	35.5	42.5	78.0	1	+1.6
1951	35.4	46.7	82.1	2	+5.3
1952	35.2	52.8	88.0	3	+7.2
1953	35.9	58.3	94.2	4	+7.0
1954	36.2	59.5	95.7	5	+1.6
1955	35.4	61.2	96.6	6	+0.9
1956	34.2	61.7	95.9	-	-0.7
1957	33.3	59.6	92.9	-	-3.1
1958	32.0	59.2	91.2	-	-1.8
1959	30.7	62.6	93.3	1	+2.3
1960	30.2	66.0	96.2	2	+3.1
1961	29.9	67.2	97.1	3	+0.9

THE NUMBER OF HOGS on farms at the beginning of the year was estimated at 55.3 million head, 6 per cent less than a year earlier.

Hogs over six months of age (other than sows and gilts) were 25 per cent below the year-earlier number, indicating limited numbers available for slaughter in the early months of 1960. The number under six months of age was down 2.3 per cent, reflecting the decline of 3 per cent in the 1960 crop of fall pigs.

Probably of most importance, however, is the 4 per cent increase in the number of sows and gilts over six months of age, from 7.5 to 7.8 million head. This confirms earlier indications that the 1961 spring pig crop is being increased and suggests that marketings of hogs in the fall and winter will rise above the year-earlier level.

Practically all of the increase in sows and gilts is in the Corn Belt, one-third of it being in Iowa alone and another third in Minnesota and Nebraska.