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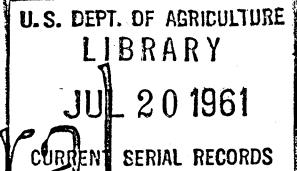
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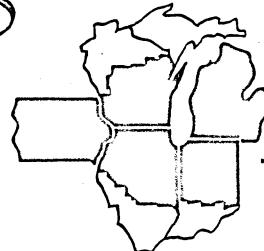
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Federal Reserve Bank of Chicago --

July 7, 1961



Agricultural Letter



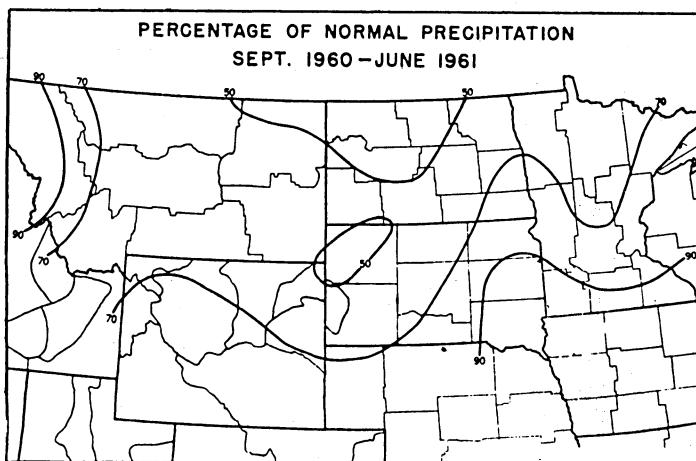
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PRICES of choice and prime cattle stabilized during June and by the beginning of July some strengthening of prices was noted for lighter weight animals. Heavy animals are still taking large price discounts reflecting the big supply of this weight group. Some Corn Belt feeders have delayed shipping cattle out of feed lots in hopes of a price rise. Shipments of feeder cattle into the Corn Belt in May were 4 per cent below last year and the total since last July has been only 3 per cent above the year-earlier period. Thus, the recent high level of marketings of fed cattle would be expected to taper off.

Consumer supplies of beef this year have been bolstered both by the 7 per cent larger number slaughtered under Federal inspection during March through June and the higher average live weight of animals being slaughtered. The fact that most of the gain in both number and weight have come from choice and prime grades explains a substantial part of the price weakness in these grades. In addition, some weakness in consumer demand, due to the business recession and record large poultry supplies, has contributed to the price decline.

DROUGHT, that event dreaded by every farmer and rancher, has become critical in a large area extending from northwestern Nebraska into the Prairie Provinces of Canada and from northern Minnesota to the Rocky Mountains in Montana. Abnormally hot and dry weather has browned the pastures, dried up stock water ponds, brought forth hordes of grasshoppers and ended any prospect for crop harvests in many parts of this region. In some areas this has been the driest spring of the century.

The accompanying map shows precipitation since last fall has been half the normal amount over northwestern South Dakota, western North Dakota and northeastern Montana. However, the exceptionally hot weather during June—running 6 to 10 degrees above normal in these areas—put a severe drain on soil moisture supplies and the light rain which came at the end of June was “too little and too late” for many of the crops.



The U. S. Weather Bureau's 30-day outlook for July indicates above-normal temperatures and below-normal rainfall in this area. Furthermore, meteorological studies of drought in the Plains show that once serious drought has begun before July, seldom is there sufficient rainfall during this month to quench it. Thus, there is small likelihood that this drought will end in July.

The Southwest is also suffering from serious drought, though conditions are not as critical as in the Northern Plains. Southern California, Nevada and Utah have had little precipitation and, with a small snowpack last winter, irrigation water is scarce, many reservoirs are drying up and grazing conditions are poor. In Nevada the drought is described as the worst since 1934 and perhaps the worst on record.

Unless rain is received soon, the drought will force marketings of large numbers of cattle. There have already been some sales due to stock water shortages and lack of feed. In most of the areas supplemental feeding has been general and many ranchers are reported to be hauling water.

Fortunately these conditions do not cover all of the West. Indeed, most of the central and southern Plains have lush pastures and excellent grazing conditions. The Osage and Flint hills areas of Oklahoma and Kansas are carrying the largest number of cattle in many years. Even in central and southern Texas heavy rains during the middle of June broke the earlier drought and provided ample moisture supplies for most of the summer. Good conditions have been reported for the Pacific Northwest.

Cattle marketings by ranchers this summer and fall will almost certainly exceed year ago since the serious drought covers such a large area of the West. On the other hand, if favorable conditions continue in the important southern and central Plains, the over-all increase probably would be moderate. It is too early to determine the impact of drought on prices at which feeder cattle will be available to Corn Belt farmers this fall. Prices will be affected also by the size of the corn harvest and Midwest farmers' expectations concerning profits from feeding operations in 1962.

Research Department