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# Federal Reserve Bank of Chicago - -

January 26, 1962

# Agricultural Letter

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**CATTLE FEEDERS** had better returns on most types of feeding programs in 1961 than in 1960. Only on two short-fed programs—heavy steers and yearling steers marketed in the spring—were returns below those of the previous year. The reason for the lower returns on these was, of course, the sharp price decline on fed cattle during the spring and into the summer. While prices of fed cattle throughout 1961 were below year-earlier levels, returns on most cattle feeding programs were improved over the previous year because of the lower prices paid for the feeder animals in the fall of 1960.

## Most Cattle Feeding Programs Had Higher Returns in 1961

	Calves		Yearling Steers			Heavy Steers
	Heifer	Steer	Medium	Good	Good & Choice	Good
Feeding period	short	long	short	short	long	short
Purchase grade	good & choice	good & choice	medium	good	good & choice	good
Sales grade	choice	choice	good & standard	choice	prime	choice & prime
Months sold	June-July	Aug. Oct.	Jan.-Feb.	Apr.-June	July-Sept.	March-May

## Returns by Feeding Year—Dollars Per Head<sup>1</sup>

1952-53	-17.49	8.47	-13.04	-43.10	3.34	-44.12
1953-54	29.69	40.40	33.12	36.72	47.07	56.98
1954-55	17.40	12.18	22.14	12.93	8.09	42.17
1955-56	17.27	56.17	-12.64	- 0.36	65.90	4.49
1956-57	40.07	53.10	7.78	31.64	69.73	37.48
1957-58	60.84	49.70	39.20	69.71	62.42	111.35
1958-59	29.04	22.62	16.34	37.61	31.43	70.31
1959-60	14.94	13.26	8.20	24.13	17.91	54.82
1960-61	19.20	26.82	32.78	13.00	18.47	33.18
Average						
1952-61	23.44	31.41	14.88	20.25	36.04	40.74

<sup>1</sup> Net return over cost. Omits cost of labor, overhead and death loss and omits credits for manure and gain on hogs.

However, returns for most feeding programs were below the average of the past nine years. One exception was the short-fed medium yearling steers. In that program cattle were sold at the seasonal price peak at the beginning of the year.

The short-fed steer programs with sales planned in the spring show returns for 1961 somewhat more favorable than many feeders actually experienced. When prices of fed cattle declined during the spring, a number of cattle feeders delayed marketing their animals in hope that prices would recover. The end result of such delays was that cattle were marketed later in the spring or summer and at lower prices. Along with the decline in price was the added expense of feeding to extra heavy weights. As animals get heavier, feed is utilized less efficiently.

Number 640

The outlook for feeding profits in 1962 is not as good on the average as last year's results. Corn Belt farmers had to pay higher prices for their feeder animals last fall, in part because of strong demand for animals to graze wheat pastures in the Central and Southern Plains. With total supplies of beef expected to be slightly higher in 1962 than in 1961 and 2 per cent above 1960, prices of fed cattle may average about the same as last year. Thus, increased costs of feeder animals, higher expected prices of feed (due to the boost in support prices) and little prospect of an increase in selling price would appear to indicate lower returns for most 1961-62 feeding programs.

**CATTLE AND CALVES ON FEED** in 26 major feeding states on January 1 were 2 per cent above the number at the beginning of 1961. The number of cattle on feed weighing 1,100 pounds and over at the beginning of the year was 4 per cent less than last year. This decline is much more than offset by the 7 per cent increase in cattle weighing 900 to 1,199 pounds bringing the number of cattle over 900 pounds to 5 per cent above last year. Thus, marketings of fed cattle during the late winter and early spring should remain above and prices below year-earlier levels. If farmers follow the pattern of feeding indicated by the 5 per cent decline in the 700 to 899 pound group, marketings during the spring of 1962 will be below and prices above those of 1961.

## More Cattle on Feed on January 1

	1960	1961	per cent change
	(thousand head)		
Under 500 pounds	1,311	1,536	+17
500-699 pounds	1,887	1,887	0
700-899 pounds	2,436	2,306	- 5
900-1,099 pounds	1,567	1,678	+ 7
1,100 pounds and over	444	426	- 4
Total, 26 states	7,645	7,833	+ 2

Inshipments of feeder cattle in December were 17 per cent below the exceptionally high level of last year. Since July, the total number of feeder cattle moving into the Corn Belt is about the same as in the last half of 1960.

Research Department