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Federal Reserve Bank of Chicago --

Agricultural Letter

April 27, 1962

CATTLE ON FEED on April 1 numbered only 1 per cent more than a year earlier. However, the outlook for marketings and prices of fed cattle the remainder of the year is quite different from last year. There are more light cattle and fewer heavy cattle on feed than in 1961.

Cattle on Feed, April 1

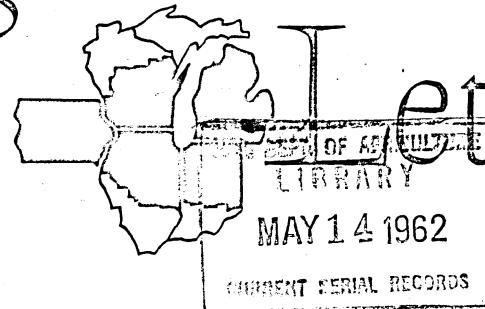
	1961 (thousand head)	1962	Per cent change
Under 500 pounds	479	579	+21
500-699 pounds	2,477	2,590	+ 5
700-899 pounds	1,913	2,002	+ 5
900-1,099 pounds	1,732	1,653	- 5
1,100 pounds and over	499	376	-25
Total, 26 states	7,100	7,200	+ 1

With 25 per cent fewer cattle weighing 1,100 pounds and over and 5 per cent fewer cattle weighing 900 to 1,099 pounds, marketings of fed cattle will remain substantially below year-earlier levels into the summer. Then the 5 per cent larger number of cattle weighing 500 to 899 pounds will begin to be marketed and marketings should remain well above last year into the fall and winter.

Prices of fed cattle in 1962 are following a different seasonal pattern from that of last year. In 1961 prices of top grades of fed cattle reached a peak at the end of January and then declined steadily, reaching a low about midyear. Prices this year climbed until April, reaching their highest levels in about two years and are currently about \$2 per hundredweight above year-ago levels. With marketings expected to remain below year earlier the remainder of the spring, prices are likely to remain well above 1961 into the summer. The way the pattern of marketing of fed cattle is shaping up, peak marketings and a seasonal price low are expected sometime this fall or winter.

The higher prices during the winter and spring of 1962 have not necessarily brought correspondingly high returns to farmers. Most feeder cattle purchased by Corn Belt farmers last fall cost more than in the fall of 1960. Furthermore, the severe weather during the past winter caused cattle to gain slowly and utilize large amounts of feed. Animals being marketed currently are below usual weights for this time of year. Nevertheless, present returns are probably above those of last year. Returns will likely remain above the low level on cattle sold during the depressed prices of last spring and summer.

The grazing outlook for the western states is generally good for the spring but, as usual, there are some



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potential trouble spots. The areas in the Northern Plains which experienced drought conditions last year are still short of subsoil moisture. Texas has had exceptionally dry weather during the winter and much of south and west Texas is critically short of soil moisture. In the Central Plains the good conditions of last year are expected to continue this spring. In the Intermountain areas, a heavy snowpack during the winter has improved soil moisture, and irrigation water is expected to be in better supply than last year.

Of course, it is much too early in the season to determine whether feed supplies in the range areas will be as good as presently indicated. Last spring Texas was experiencing a drought similar to the one this year but heavy rainfall completely changed the situation. If timely rains are received during the spring and summer, present indications are that ranchers in the west could continue to build up the number of cattle in their inventory though perhaps at a slower rate than last year.

NET FARM INCOME in the first quarter of 1962 was \$12.8 billion, seasonally adjusted annual rate, down sharply from the \$13.4 billion level of the fourth quarter of last year but somewhat above the \$12.6 billion in the first quarter. Continued high levels of crop marketings, favorable crop prices and payments under the 1962 wheat and feed grain programs brought gross farm income to a \$40.1 billion annual rate.

For the year as a whole, the U. S. Department of Agriculture holds to its forecast that net farm income in 1962 will remain at the same level as last year—\$12.7 billion.

In the Seventh District, net farm income will likely be somewhat lower than in 1961. Lower dairy support prices will have their greatest impact on Midwest manufacturing milk areas. Both gross and net income of dairy producers are expected to be lower in spite of increased production of milk. In the Corn Belt the exceptionally favorable crop yields of 1961 are not likely to be repeated. Returns on livestock operations may be slightly lower than in 1961 as the slow but steady increase in hog production brings somewhat lower prices and incomes.