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Farmers' returns from cattle feeding can be expected to show some improvement during the second half of 1963, but probably will be considerably less attractive than in the second half of last year. Cattle prices have improved in recent weeks following a fairly steady decline during the seven months ending May that splashed red ink on profit statements for the cattle feeding enterprise on many Midwest farms. The average price for choice steers at Chicago dropped to a low of \$22.68 per hundredweight in the week ending May 18. This amounted to a decline of about \$7 per hundredweight from the high reached in November of last year and about \$3 per hundredweight from the level of May 1962.

By the second week in July, however, prices had risen to \$26.75 per hundredweight or an increase of nearly \$4 from the May low. Prices recently weakened somewhat, possibly reflecting the larger than expected number of cattle reported to be on feed.

Cattle on feed as of July 1 in the 28 major feeding states were estimated by the U. S. Department of Agriculture at 6.8 million head—an increase of 11 per cent from year earlier. A 17 per cent gain in April-June placements in the North Central states was a surprise to most observers; a decline or a much smaller increase reflecting cutbacks in inshipments of feeder cattle into the Corn Belt states had been expected.

As a result of the large increase in placements, the number on feed in the North Central states was 13 per cent above year earlier. The two major feeding states in the Seventh District—Illinois and Iowa—were up 14 and 9 per cent, respectively. In the West the average increase was 7 per cent.

CATTLE ON FEED ABOVE YEAR EARLIER

Weight group (pounds)	July 1962 (thousands)	July 1963	Increase (per cent)
Under 500	246	305	24
500-699	1,446	1,494	3
700-899	2,700	2,989	11
900-1,099	1,396	1,608	15
Over 1,100	347	434	25
Total, 28 states .	6,135	6,830	11

Cattle in feedlots showed an increase in all weight groups over last July. Heavy cattle—1,100 pounds and over—showed the greatest increase in number on feed, up 25 per cent from year earlier.

The number of cattle and calves on feed for three to six months was up only 2 per cent but the figure for those on feed for less than three months rose 7 per cent. The number of cattle and calves in feedlots for more than six months was 28 per cent above a year ago.

Marketings of fat cattle from the 28 states during the third quarter are expected, therefore, to be about 9 per cent larger than a year earlier. This would appear to rule out an appreciable price rise, but prices are likely to continue near present levels during the next two or three months.

Feeder cattle prices have declined from the high levels of last fall but the downward adjustment has not been in line with the decline in fed cattle prices. Despite substantially lower prices for fed cattle, choice 500-800 pound feeder steers at Kansas City have held within a few cents per hundred pounds of year earlier prices. The resulting relatively large negative price margin between feeder steers and fed cattle apparently has caused midwestern farmers to delay their replacement purchases. About 13 per cent fewer feeder cattle than last year were shipped into the leading Corn Belt states in May and the total for the first five months of the year is also down 13 per cent.

Fall prices for feeder cattle will depend largely on the trend in fed cattle prices and the influence of weather conditions on production of feed grains as well as on ranges and wheat pastures. Last year, abundant production of feed grains, rising cattle prices and excellent ranges and wheat all tended to strengthen feeder prices.

The July 1 crop report forecast total feed grain output to be somewhat higher than last year. Recent widespread rain in the major producing areas may have boosted the projected increase to a higher level. In addition, a possible expansion in wheat acreage this fall could strengthen western ranchers position. However, the available supply of feeder cattle this summer and fall probably will be substantially larger than a year ago reflecting larger inventories at the beginning of the year and a larger expected calf crop in 1963.

Even though fed cattle prices are expected to improve somewhat during the remainder of the year, the increase will probably be moderate. A substantial increase in fat cattle prices is needed to make current feeder prices attractive to cattle feeders. Furthermore, many cattle feeders had an unfavorable experience with cattle fed this winter and probably will buy more cautiously this summer and fall. If this proves to be the case, feeder cattle prices are likely to trend downward in the coming months.

Roby L. Sloan
Agricultural Economist