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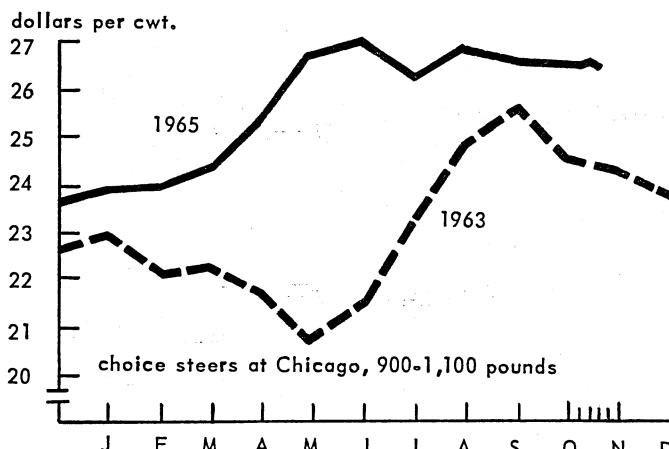
Federal Reserve Bank of Chicago --

October 22, 1965

CATTLE PRICES have averaged well above the year-earlier level throughout 1965 even though slaughter has been at a record level. During the past nine months, choice grade cattle prices at Chicago have ranged from \$2 to \$6 above the corresponding period in 1964. Choice 900-1,100 pound steers currently are selling at Chicago for about \$26 per hundredweight or about \$2 above the level at this time last year.

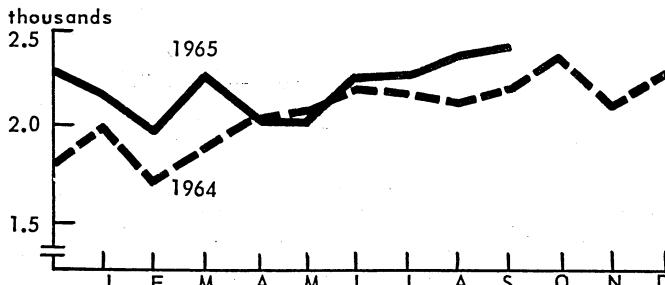
A number of factors have contributed to this price strength. Although the number of cattle slaughtered has continued to exceed the year-earlier level by a wide margin, slaughter weights are down sharply from those during 1964. Cattle feeders apparently have been willing to move fed cattle out of feedlots as soon as the desired grade is reached. This is in contrast with last year when many feedlot operators delayed marketing in hope of receiving higher prices.

Cattle Prices Continue Above Year Ago



Slaughter weights during the first nine months of the year averaged about 30 pounds per head lighter. As a result, beef production was up less than 1 per cent although the number of cattle slaughtered averaged more than 5 per cent above the year-ago level. During October, slaughter weights at seven major markets averaged about 20 pounds per head below October 1964.

Cattle Slaughter Under Federal Inspection Rises



Curtailed supplies of competing red meats as well as the continued strong consumer demand, which has been stimulated by rising incomes and further population growth, have also served to strengthen beef prices. Hog production during January through September, for

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example, ran 8 per cent below the corresponding year-ago level; personal income is 6 per cent higher, and population has increased by about 1.5 per cent.

The recent cattle on feed report indicates that the current situation will probably not change materially during the remainder of the year. The number of cattle and calves on feed in the 32 major feeding states was estimated, as of October 1, to be 7.4 million head—about 7 per cent more than a year earlier. Western states showed an overall rise of 9 per cent from last year while Corn Belt farmers have only about 5 per cent more cattle on feed than a year ago.

The number of cattle on feed showed increases in each of the weight groups except the very lightest and the very heaviest. Furthermore, a breakdown by length of time on feed showed that most of the increase in the number of cattle on feed has occurred in the 3 to 6 months category. These cattle could be marketed during the next few weeks or fed longer and marketed later.

Farmers indicated that they intended to market about 5 per cent more cattle during the fourth quarter, than a year ago, according to the U. S. Department of Agriculture estimates. Most of the increase, however, is expected in the western states. Corn Belt feeders intend to market about 4 per cent more than a year ago. Unless these marketings are bunched up, feed cattle prices, while drifting down slightly from current levels, are likely to average above those during the fourth quarter of last year when choice steer prices at Chicago averaged about \$24 per hundredweight.

Marketings of cattle during the first part of next year will depend largely upon the placement of feeder cattle during the next few months. Many farmers thus far have been reluctant to purchase a large number of feeder cattle, possibly because they have expected feeder prices to decline. Western ranchers, however, are in a strong position to continue to feed these animals since feed supplies are well above average. The range feed index as of October 1 was about 5 per cent above a year ago and the best since 1958. Wheat pastures also are providing abundant grazing.

Current estimates put the corn crop at a record level—about 18 per cent more than last year. There is a strong urge, therefore, for Corn Belt farmers to turn to feeding cattle as an outlet for this large crop. It is likely, therefore, that feeder placements will pick up sharply during the next few weeks.

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