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INCOME FROM LIVESTOCK increased substantially in 1965 and was a major factor in boosting the nation's farm income to the $14 billion mark—the highest in more than a decade. In the Seventh Federal Reserve District states, the greatly improved livestock situation was especially important because of the predominance of livestock feeding in these states. Through the first nine months of 1965, for example, about 70 per cent of the cash receipts in the District were derived from sales of livestock and livestock products.

Cattle feeding profits for "typical" Corn Belt programs during the 1964-65 feeding season were considerably above a year earlier and the highest in six or seven years, according to the U. S. Department of Agriculture. Net returns represent the difference between the cost of the feeder cattle bought in the fall of 1964 plus feed, marketing and transportation costs and the sales value of the fattened animals sold this year.

Cattle Feeding Returns Substantially Improved

	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					
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
1961-62	29.89	60.38	18.27	56.68	72.46	54.19
1962-63	7.14	1.46	12.11	-20.12	- 4.74	- 17.14
1963-64	- 7.24	26.65	- 2.03	-25.40	24.41	- 28.28
1964-65	40.20	58.25	25.88	51.04	68.49	77.52
10-year average	25.14	36.84	14.59	23.80	42.65	39.79

The higher returns this year stemmed almost entirely from changing price relationships between feeder and slaughter animals. Feed costs were up from a year earlier; corn, hay and soybean meal prices were all higher although not enough to offset favorable feeding margins. Transportation expenses and other marketing costs were about equal to the previous year's level.

Cattle feeders, however, paid less for feeder cattle placed on feed in the fall of 1964 than in the previous year—averaging $3 to $4 per hundredweight lower. Moreover, they received higher prices than a year earlier for the fed cattle. Prices of these cattle rose until midyear and then continued relatively stable, averaging $2 to $4 per hundredweight above the 1964 level. Thus, cattle feeders experienced a year in which the prices received for fed cattle was generally above the cost of gain and, at the same time, had positive margins between prices paid for feeder animals in the fall and prices received for fed cattle in 1965.

All of the observed feeding programs showed favorable results per head. The largest "profits" were made on short-fed heavy steers placed on feed in the early fall and then sold for slaughter in early spring. The smallest "profits" were realized on short-fed medium steers—bought in the fall and sold in early 1965—but only because they put on small gains in the feedlot.

Hogs were also a profitable enterprise. Although similar data on returns from hog feeding are not readily available, the improvement in returns from a year earlier was probably even greater than that shown for cattle feeding. Hog prices rose sharply following the first quarter of 1965 and have continued substantially above year-ago levels. Cash receipts from hog marketings during 1965 are estimated at about $3.2 billion—20 per cent above 1964 and the largest since 1951.

Livestock feeding appears likely to continue relatively favorable during most of next year. Returns from cattle feeding probably will decline from this year's exceptionally favorable results but are expected to continue above average. Abundant feed supplies in the West, record corn yields in the Corn Belt and continued high prices for slaughter cattle are all contributing to higher prices for feeder cattle purchased this fall. Feed costs are expected to be lower, partially offsetting the higher prices for feeder cattle. Profits from hogs during the first half of 1966 may improve somewhat further as prices are expected to continue above year-earlier levels in response to further cutbacks in hog production. The fall pig crop was 8 per cent below the 1964 level. These hogs will be marketed largely during the first six months of 1966.

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