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Federal Reserve Bank of Chicago - -

April 22, 1966

CATTLE FEEDERS expanded their operations sharply during the first quarter of this year. The number of cattle and calves on feed in the 32 major cattle feeding states was estimated at a record 9.6 million head as of April 1, 1966—about 13 per cent more than a year earlier.

The largest increase was in the western states, up 12 per cent from a year ago, continuing the expansion of recent years relative to the older Corn Belt feeding areas. California (the leading western state) gained 14 per cent from April 1965, Colorado increased 12 per cent. Only in Nevada did feedlot operators not expand their operations.

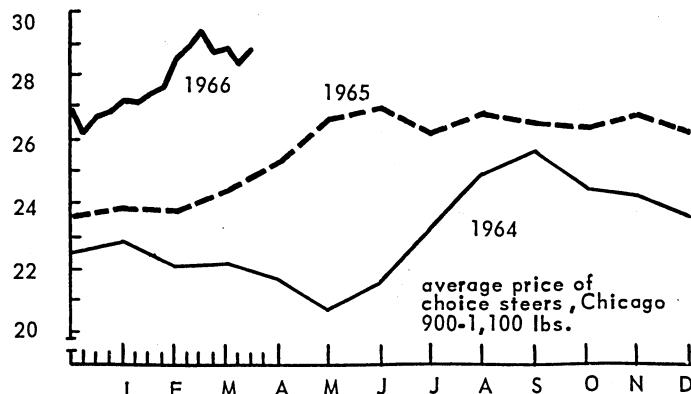
In the Corn Belt, the number of cattle on feed as of April 1 was estimated to be 11 per cent greater than last year; all of the states recorded increases from April 1965. The number on feed in Iowa and Illinois was up 5 and 7 per cent, respectively. In Indiana, a 24 per cent gain was reported.

Increased placements of feeder cattle in feedlots was the primary reason for the large number on feed. Marketings of fed cattle for slaughter during the first quarter in the 32 states were estimated at 6 per cent greater than during the comparable year-earlier period. However, the number of feeder cattle placed in feedlots in the first quarter of 1966 was up 24 per cent from the same period a year earlier. Consequently, the number of animals which have been on feed only a short time (less than three months) showed the sharpest increase—up 24 per cent. The number on feed from three to six months was 6 per cent larger while those animals that have been in feedlots for six months or more gained only 1 per cent.

Prices of fed cattle have shown considerable strength during the first quarter despite the continued high level of cattle marketings. Since the beginning of the year, prices of choice grade cattle at Chicago have ranged from \$3 to \$5 more than during the corresponding period in 1965. Choice 900-1,100 pound steers currently are selling at Chicago more than \$28 per hundredweight, about \$3 above the level at this time last year.

Cattle Prices Continue at Relatively High Level

dollars per cwt.



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A number of factors have contributed to this price strength. Probably most important has been the continued reduction in supplies of competing meats, coupled with the strong consumer demand—which has been stimulated by rising incomes and further population growth. Additionally, although slaughter weights have been rising, they continued below those a year ago during the first quarter, thus resulting in somewhat smaller beef production than would be indicated by the increase in the number of animals slaughtered.

Prices of fed cattle are likely to decline during the second quarter, possibly dropping below the 1965 high reached in early June last year. This is indicated by the large expected increase in fed cattle marketings. The number of cattle on feed weighing 900 pounds or more increased from about 2.1 million to 2.4 million—up 15 per cent—and the number in the 700-899 pound range was up about 23 per cent. Furthermore, there were more heifers on feed than a year ago, especially in the 700-899 pound range, and this will tend to accelerate marketings since heifers usually reach the desired degree of fatness more quickly than steers.

Increased Marketings Indicated
by Larger Numbers on Feed

Weight groups (pounds)	Steers (per cent change from year ago)	Heifers (per cent change from year ago)	Total
Under 500	5	26	15
500-699	0	7	3
700-899	17	38	23
900-1,099	20	18	20
Over 1,100	-8	-	-9
Total 32 states	+10	+19	+13

Farmers indicated in the early April survey that they intended to market about 4.7 million head during April through June—about 12 per cent more than in the corresponding year-earlier period. This would leave about 4.8 million animals to be marketed after June, compared to 4.2 million last year. Thus, larger beef supplies are likely to continue through the summer months.

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