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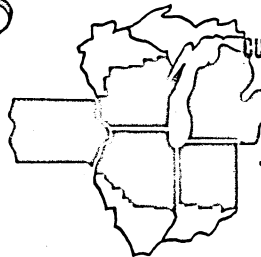
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Letter

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HIGHER FEED COSTS are in prospect for the coming year. High levels of livestock feeding and record exports coupled with prospects for reduced crop production point to a further reduction in available feed supplies for the 1966-67 feeding year. Furthermore, current strong demands for feed grains are expected to continue.

Grain feeding to livestock has been at a high level throughout the current feeding year. Livestock-feed price ratios have been very favorable; as a result, more animals are being fed and consumption per animal has been at a record level.

The increase in feeding rates is most pronounced in the case of cattle—both beef and dairy. For example, the average weight of beef steers sold at seven major markets the first half of 1966 was 1,113 pounds, some 20 pounds heavier than in the corresponding 1965 period. Larger amounts of feedstuffs, of course, are required to achieve these heavier weights. Dairy cows consumed about 8 percent more concentrates per head this year than during the previous period. The average amount of feed fed to hogs also increased as indicated by the heavier weights. Hogs sold during the first six months of 1966 have averaged about 6 pounds heavier than a year earlier.

The rate of feeding per animal unit for the current year is expected to average about 7 percent above the year-earlier level. Together with the slight increase in the number of animals this feeding rate is expected to boost the total consumption of feed grains by livestock to about 126 million tons. Such other uses as food, industrial and seed are expected to utilize about 15 million tons.

Grain Prices Received by Farmers Increase

	August	
	1965	1966
Corn, bu.	\$1.18	\$1.34
Barley, bu.	.99	1.05
Oats, bu.	.60	.64
Sorghum grain, cwt.	1.90	1.87

Exports of feed grains during the current marketing year also will be sharply higher. Import demand in Europe and Japan is strong, reflecting the continued steady expansion of livestock feeding and other uses. Through the nine months ended June 30, exports had exceeded the year-earlier total and for the entire marketing year are expected to reach a record 29 million tons—nearly one-third more than a year ago. Thus, utilization of feed grains will total nearly 170 million tons. As a result, even though the 1965 feed grain crop was 17 percent larger than in the previous year, it is expected to fall short of meeting the current year's use by nearly 9 million tons. The differential, of course, will be provided from inventories carried forward from the previous years' production.

Feed Grain Supplies Expected to Dip Sharply

	1964	1965 ^p	Indicated August 1966
	(million tons)		
Stocks, beginning of year*	69	56	47
Production and imports	138	161	151
Total supply	207	217	198
Fed to livestock	116	126	n.a.
Other domestic uses	14	15	n.a.
Exports	22	29	n.a.
Total utilization	152	170	n.a.
Grain-consuming animal units (millions)	168	169	175

^pPreliminary

*Data are for marketing year beginning October 1.

n.a. Not available

The high level of livestock and livestock product prices this year is expected to result in an expansion in the number of livestock and poultry next year. Production of hogs is expected to be expanded 8 to 10 percent from the current year. Cattle feeding is expected to continue large, and poultry production, especially broilers, is expected to expand further. While the number of dairy cows on farms will undoubtedly continue to decline, the rate of feeding is expected to increase to a level which would more than offset the reduction in numbers. Overall, the total number of grain consuming animal units is expected to rise by 3 to 4 percent to around 175 million—the highest level since World War II.

Developments during the next several weeks affecting the size of this year's feed grain output, therefore, will be especially important in the outlook for feed grain prices. As of August 1, feed grain production was projected at 6 percent below the last year's record output. While favorable conditions since that date could result in some upward adjustment in the final output, total supplies at the start of the coming feeding year will undoubtedly be down sharply from a year ago. In this circumstance, feed grain prices are expected to average somewhat above the level experienced this year. Furthermore, with prices averaging well above the Government's price support levels, takeovers by the Commodity Credit Corporation likely will be small and the Government's influence in the market will be at a minimum.

Roby L. Sloan
Agricultural Economist