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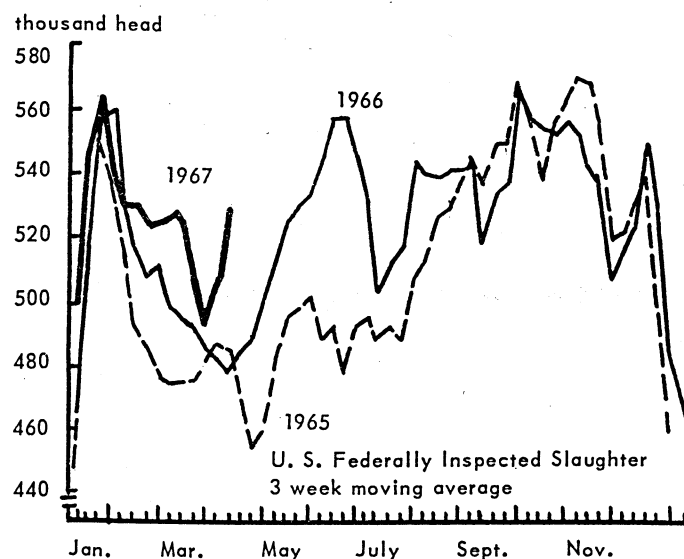
Federal Reserve Bank of Chicago - -

April 28, 1967

FED CATTLE PRICES have been weak since the beginning of the year. During the first three weeks in April prices of choice 900-1,100 pound steers at Chicago averaged \$25.35 per hundredweight, about \$1 below the January average and more than \$4 below the comparable year-earlier level.

A number of factors have caused the weakness in prices. Slaughter under Federal inspection thus far in 1967 has been more than 3 percent above the year-earlier level. This, coupled with heavier average slaughter weights during the first quarter—up about 1 percent from a year earlier—has resulted in an increase of more than 6 percent in beef production. Larger supplies of pork and poultry and larger meat imports also have contributed to the decline in beef prices.

Cattle Slaughter Above Year Earlier



Large supplies of beef can be expected during the next few months as the number of cattle on-feed has continued above the year-earlier level. About 10.5 million head of cattle and calves were on feed in 32 states as of April 1, according to a recent survey by the U. S. Department of Agriculture. This is about 3 percent more than a year ago.

Corn belt farmers have about 2 percent more cattle on feed than last year. The number on feed in Illinois and Indiana declined 5 percent while cattle feeders in Michigan and Wisconsin reported increases of 6 and 5 percent, respectively. Iowa, the leading cattle feeding state had 2 percent more cattle on feed than in April 1966. Western states showed an overall rise of 1 percent.

Farmers have started to slow down the expansion in cattle feeding begun nearly two years ago. The number placed on feed during the first quarter of this year was 3 percent below the 1966 level. Four of the five District states reported smaller numbers placed on feed. In Iowa placements were down 14 percent from the first quarter of 1966. Furthermore, most of the increase in the number on feed was accounted for by cattle weighing 900 pounds and over and those on feed for 3 months or more. The number on feed weighing less than 900 pounds declined



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1 percent from a year earlier while the number on feed less than 3 months was down 4 percent. Also, the number of heifers on feed declined 4 percent from the relatively high level of April 1966.

Heavy Cattle Account for Most of Increase in Cattle on Feed

Weight groups 32 states (pounds)	Cattle on feed April 1		Change (percent)
	1966 (thousand head)	1967	
Under 500	813	700	-14
500 - 699	3,519	3,623	3
700 - 899	3,306	3,251	- 2
900 - 1,099	2,232	2,442	9
1,100 pounds and over	356	480	35
Total	10,226	10,496	3

Marketings of fed cattle during the second quarter are expected to continue above the level of last year as indicated by the larger number of cattle in the heavy-weight categories. Slaughter weights will likely average above the 1966 level during the second quarter. According to the early April survey, farmers intend to market 5.2 million head during the April-June period—about 4 percent more than in the year-ago period. This would leave about 5.3 million head for marketing after June 30—slightly more than the actual marketings a year earlier.

Prices of fed cattle are likely to continue near current levels during the second quarter and to approach the 1966 level by midyear. This is indicated by the larger expected marketings in the second quarter. Prices probably will be above the 1966 level during the last half of the year. The smaller number of heifers on feed may indicate that heifer slaughter will decline following a 2 year period in which it was at a very high level. Heifers accounted for much of the increased beef output during this period. Reduced production of pork during the fall is likely to support higher beef prices. Continued growth of population and income will also contribute to the demand for beef and provide support to prices if beef production slows the second half of the year.

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Economist

FARM BUSINESS CONDITIONS
January 1967 with Comparisons

I T E M S	1967	1966	
	January	December	January
PRICES:			
Received by farmers (1957-59=100)	105	107	108
Paid by farmers (1957-59=100)	116	115	112
Parity price ratio (1910-14=100)	75	77	80
Wholesale, all commodities (1957-59=100)	106	106	105
Paid by consumers (1957-59=100)	115	115	111
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.71	1.80	1.69
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.42	1.45	1.32
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.80	.80	.78
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.96	3.00	2.84
Hogs, barrows and gilts, Chicago (dol. per cwt.)	19.61	20.20	28.21
Beef steers, choice grade, Chicago (dol. per cwt.)	25.25	24.50	26.87
Milk, wholesale, U. S. (dol. per cwt.)	5.15	5.30	4.54
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.67	.68	.62
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.13	.12	.16
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.38	.41	.38
Milk cows, U. S. (dol. per head)	256	257	221
Farm labor, U. S. (dol. per week without board)	55.50	--	51.25
Factory labor, U. S. (dol. earned per week)	113.02	114.68	110.00
PRODUCTION:			
Industrial, physical volume (1957-59=100)	158	159	150
Farm marketings, physical volume (1957-59=100)	124	130	128
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	607.5	601.8	560.2
Cash farm income, U. S. ¹ (annual rate, bil. of dol.) . .	43.3	41.2	44.0
EMPLOYMENT:			
Farm (millions)	3.3	3.5	3.6
Nonagricultural (millions)	72.2	71.1	67.7
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	123.4	124.2	123.8
Nonagricultural banks (1957-59=100)	243.5	240.4	217.2
Time deposits:			
Agricultural banks (1957-59=100)	116.0	124.1	115.3
Nonagricultural banks (1957-59=100)	259.0	251.5	235.6
¹ Based on estimated monthly income.			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.