Federal Reserve Bank of Chicago

Agricultural Letter

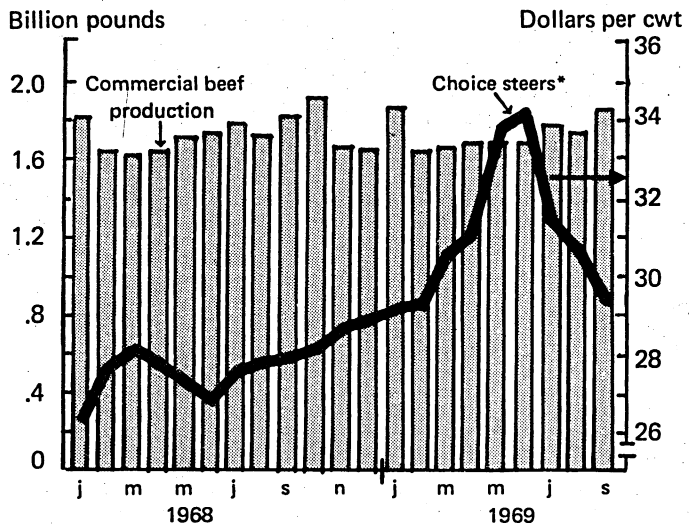
November 7, 1969

Number 1038

CATTLE PRICES have dropped sharply from their mid-year highs. Prices of choice steers at Chicago rose from around $29 a hundredweight at the beginning of the year to about $35 in June. This was approximately $8 above the level of a year earlier. Since June, prices have trended downward steadily and now are again around $29 a hundredweight, roughly $1 above a year ago.

The price fluctuations have occurred despite stable slaughter levels. Beef production in the first quarter was about 2 percent above the first quarter of 1968. Volume was 1 percent below 1968 levels in the second quarter. Third quarter volume for both years was the same. Weekly slaughter at federally inspected facilities recently has been about 2 percent above 1968 levels; average cattle weights are about 15 pounds heavier than a year ago.

Beef Slaughter Stable But Prices Fluctuate



*At Chicago, 900-1,100 lbs.

The drop in choice beef prices in recent months is explained, in part, by a slackening in consumer demand and an increase in the proportion of higher grade animals slaughtered.

High beef prices at retail stores this summer induced congressional hearings and led to some housewives picketing at supermarkets. These actions may have caused some short-term alterations of consumption practices. Because of relatively high supplies, consumers have found it easy to substitute other meats for beef in recent weeks. Pork production is up sharply from its seasonal summer low. Poultry production has been running 7 percent ahead of 1968.

A recent survey of cattle on feed suggests somewhat larger beef supplies during the fourth quarter. The number of cattle on feed October 1 topped the year-ago figure by 10 percent. As in recent years, the Western states account for the bulk of the increase.

The larger number on feed resulted mainly from the very large numbers placed on feed in the first half of 1969. Feedlot placements overall were down 1 percent in the third quarter from last year, while marketings ran about 8 percent ahead of a year ago. This is reflected in the length of time these animals have been on feed and the distribution by weight categories. About 46 percent of the cattle in feedlots in early October had been on feed for over three months and this group was a fourth larger than on the same date a year ago.

Similarly, cattle weighing more than 900 pounds—those that will make up the bulk of marketings during the remainder of the current year—were about 11 percent more than a year ago. Cattle weighing below 700 pounds, on the other hand, were only about 3 percent above last year. Most of these cattle will not be marketed before early 1970.

Farmers indicate intentions to market about 12 percent more cattle in the fourth quarter than last year. This, coupled with a continued increase in slaughter weights, could boost total beef supplies even further during the remaining months of the year—although non-fed slaughter is apt to run well under a year ago. Prices, therefore, are apt to continue under pressure during the fourth quarter, although expected smaller pork supplies will augur against much further decline in fed cattle prices.

Marketings of cattle in the first part of 1970 will depend partly upon the placement of feeder cattle during the next few months. Although placements have picked up in recent months, a big movement of cattle and calves into the Midwest has not yet occurred. Higher replacement costs, increased feed prices, and the uncertain fed cattle outlook provide little incentive to expand feeding operations. Many farmers, possibly expecting feeder cattle prices to decline, apparently have adopted a wait-and-see attitude. Though feeder cattle prices have edged downward from their summer highs, they are still about $5 a hundredweight higher than last year—boosting the cost per head $20 to $35 depending upon the animal's size. These sharply higher prices have resulted in much stronger credit demands at banks in some important cattle feeding areas, even though the number of animals being purchased may be fewer.

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