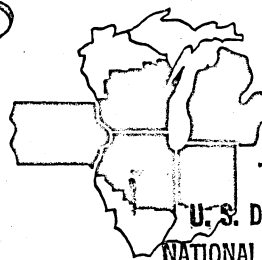


281.9
F313

Federal Reserve Bank of Chicago - -

September 21, 1962

Agricultural Letter



U.S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY

OCT 5 1962

Number 671

Feeder cattle supplies this season may be larger than last year. The beef calf inventory last January 1 was 1 million head larger than a year earlier, and imports of feeder animals the first half of this year exceeded imports during the first half of last year by 135,000 head. In addition, the 1962 calf crop is expected to be 611,000 larger than the 1961 crop.

This larger supply, however, has been offset by a strong demand for feeder cattle and prices of feeder animals are currently well above year earlier. The major factor boosting demand for feeders is the current high prices and favorable returns for fed cattle. This reflects smaller supplies reaching market especially in the top quality grades. The number of choice cattle for slaughter at 12 Midwest markets during August dropped 21 per cent from year earlier and prime cattle declined 39 per cent. Moreover, these cattle are being marketed at lower weights than those of a year ago so that the total number of pounds of choice and prime steers and heifers marketed this August fell 26 per cent below last year. In turn, average prices of choice and prime steers in August were up \$4 and \$5 from year earlier.

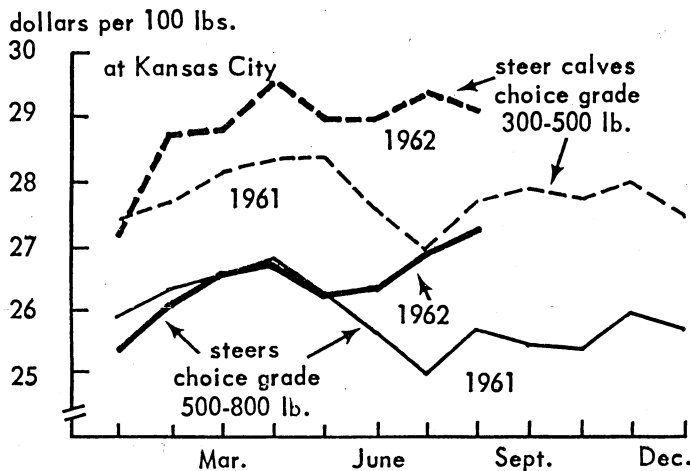
A third factor is the favorable prospect for winter wheat pasture. In most wheat areas ample subsoil moisture practically assures good wheat pastures. Also, the end of the 1962 wheat program means acreage allotments for wheat this fall have been increased again to a 55 million acre total. This should bring a larger total acreage of wheat seeded this fall.

The direction of feeder prices this fall will as usual depend to a large degree on the weather and the trend of price for fed cattle. In the heart of the Corn Belt, record corn yields are again being realized and most of the crop is maturing early enough to avoid frost damage. Farmers in that area will be able to safely store corn. However, the late planting last spring and exceptionally cool summer on the northern fringes of the Corn Belt have reduced yields. With early frost, this area will have large amounts of immature corn. Farmers in that area may expand livestock operations to utilize "soft" corn.

In the western areas, weather will also be an important factor in the demand for cattle. Not only will weather in the plains determine the growth of wheat pasture but also the length of the wheat pasture season can be cut short by severe winter storms. For ranchers, the date of marketing also will be influenced by the arrival of severe winter weather though to some extent the larger contracting activity this summer will offset the expected later movement to market. In any event, feeder cattle are expected to move to the Corn Belt at heavier weights than last year.

The other major influence on feeder animal prices will be the trend of fed cattle prices. The cattle on feed report at midyear indicated larger marketings of fed cattle during the fourth quarter compared with year earlier. To some extent, this may have been offset by earlier marketings of fed cattle at lighter weights this summer and there is evidence that packers have been bidding "two-way" cattle away from Corn Belt feeders. Also, reduced supplies of eggs and poultry and high levels of consumer incomes will provide strong demand for beef. Nevertheless, a downward trend of feed cattle prices is still indicated before the end of the year and this will dampen the current optimism of Corn Belt feeders.

Feeder Cattle Prices Well Above 1961 Level



Another factor is the demand by ranchers for cattle to enlarge breeding herds and utilize feed supplies. The drought in the Northern Plains has been broken. In the West (except the Southwest) summer range conditions are well above year earlier. Even the dry areas of Missouri, Oklahoma and western Texas received timely rains during early September. With abundant feed supplies and high prices for feeder calves, ranchers will probably continue adding to breeding herds in the West. This has been reflected in reduced heifer slaughter, down 170,000 head in January-June of this year, as ranchers have held back more heifers for herd expansion and replacement.