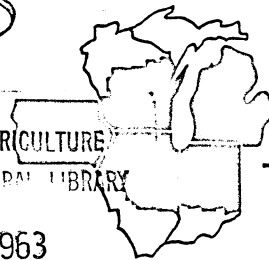


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Federal Reserve Bank of Chicago - -

February 15, 1963

Agricultural Letter



Number 691

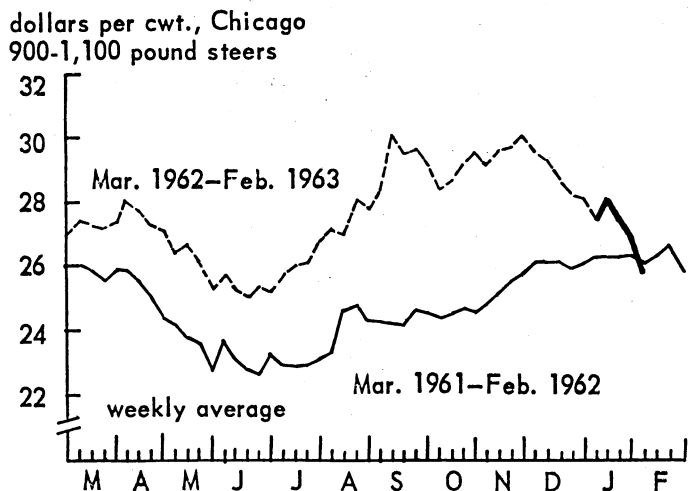
Cattle prices at Chicago have dropped precipitously in recent weeks. Prices of choice, 900-1,100 pound, steers are down \$2 from four weeks ago and down about \$6 from the four-year high in mid-November. Larger supplies of beef and competing meats, of course, are a major factor. Cattle slaughter during the first five weeks of 1963 rose 2 per cent above the corresponding period of 1962 and was almost 9 per cent above 1961. In addition, hog slaughter in the same period was up more than 3 per cent over last year and 6 per cent above two years ago. Poultry supplies also showed a substantial rise from 1962.

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Cattle Inshipments at Record Levels in Final Six Months of 1962

	1960	1961	1962	Per cent change 1961-62
	(thousands)			
Illinois	883	762	975	+28
Indiana	274	204	217	+ 6
Iowa	1,626	1,694	2,089	+23
Michigan	77	57	61	+ 7
Minnesota	491	489	510	+ 4
Nebraska	607	722	880	+22
Ohio	85	76	79	+ 4
South Dakota	120	161	222	+38
8 states	4,163	4,164	5,034	+21

Prices of Choice Cattle Drop Sharply



Furthermore, the outlook for beef producers during the next six months holds little hope for improvement. First, larger supplies of competitive meats are expected. The fall pig crop in 1962 was 5 per cent higher than in 1961 and this will be reflected in larger pork supplies through the spring. Placements of broiler chicks during December and January—to be marketed largely in February and March—were up 5 per cent from year earlier.

Second, marketings of beef cattle will probably continue above 1962 levels. Cattle on feed in the Corn Belt on January 1 were up 7 per cent and feeder cattle shipments into the Corn Belt states during 1962 were at a record high—7.1 million head compared with 6.3 million the preceding year. Since mid-1962, more than 5 million head were shipped into these states. This is 21 per cent above the corresponding period of 1960 and 1961.

Livestock loans outstanding in the major cattle feeding states in the Seventh District on January 1 were 19 per cent higher than year earlier according to a recent survey of "country" bankers. The largest increase in loan volume was reported by Iowa bankers—up 24 per cent while bankers in Illinois and Indiana noted increases of 14 and 8 per cent, respectively.

Net farm income in the United States increased slightly during 1962 and totaled \$12.9 billion for the year, \$100 million above 1961. Gross farm income was estimated at \$40.6 billion compared with \$39.9 billion in 1961.

Cash receipts from marketings pushed to a record of \$35.7 billion—up from \$35.2 billion in 1961—and reflected primarily higher prices received for most farm products. This increase in sales was supplemented by an increase of \$300 million in Government payments through the feed grain and wheat programs. However, most of the rise in gross income was offset by an increase in production expenses of \$600 million to \$27.7 billion.

Interest rates on time deposits at agricultural banks were generally stable during the last six months of 1962, according to a recent survey. Less than 2 per cent of the bankers reported any change. More than four-fifths of the country banks in Illinois, Iowa, Michigan and Wisconsin are paying 4 per cent for at least one kind of time deposit. About 5 per cent of the agricultural banks in these states are paying less than 3 per cent on all time deposits. (Banks in Indiana are prohibited by state regulation from paying more than 3 per cent.)

For "regular savings" deposits held for a year or more, however, only 14 per cent of the agricultural banks in the four states indicated they were paying 4 per cent; more than three-fourths were paying 3 per cent or higher; and 4 per cent were paying no interest.

Research Department

FARM BUSINESS CONDITIONS

December 1962, with Comparisons

ITEMS	1962		1961
	December	November	December
PRICES:			
Received by farmers (1947 - 49 = 100)	89	90	89
Paid by farmers (1947 - 49 = 100)	123	123	121
Parity price ratio (1910 - 14 = 100)	79	80	79
Wholesale, all commodities (1947 - 49 = 100)	119	120	119
Paid by consumers (1947 - 49 = 100)	130	130	128
Wheat, No. 2 red winter, Chicago (dol. per bu.)	2.13	2.10	2.09
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.16	1.10	1.11
Oats, No. 2 white, Chicago (dol. per bu.)	0.77	0.72	0.73
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.53	2.50	2.48
Hogs, barrows and gilts, Chicago (dol. per cwt.)	16.45	16.79	16.95
Beef steers, choice grade, Chicago (dol. per cwt.)	28.91	30.13	26.13
Milk, wholesale, U.S. (dol. per cwt.)	4.29	4.40	4.45
Butterfat, local markets, U.S. (dol. per lb.)	0.59	0.59	0.61
Chickens, local markets, U.S. (dol. per lb.)	0.14	0.14	0.14
Eggs, local markets, U.S. (dol. per doz.)	0.36	0.37	0.35
Milk cows, U.S. (dol. per head)	219	218	224
Farm labor, U.S. (dol. per week without board)	--	46.00 ^{a/}	--
Factory labor, U.S. (dol. earned per week)	98.01	97.36	96.63
PRODUCTION:			
Industrial, physical volume (1947 - 49 = 100)	181	181	174
Farm marketings, physical volume (1947 - 49 = 100)	147	186	145
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.) ...	450	448	432
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	--	39	36
EMPLOYMENT:			
Farm (millions)	4.1	4.9	4.4
Nonagricultural (millions)	63.5	63.1	62.0
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	113	115	108
Nonagricultural banks (1955 monthly average = 100)	111	107	111
Time deposits:			
Agricultural banks (1955 monthly average = 100)	173	172	148
Nonagricultural banks (1955 monthly average = 100)	184	182	151
¹ Based on estimated monthly income.			
^{a/} October			

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