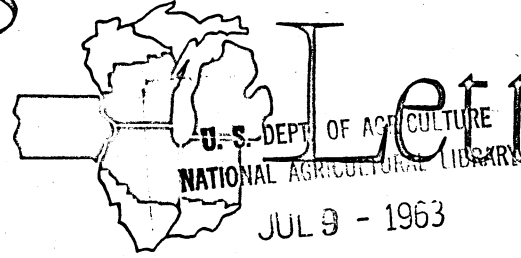


281.9
F313

Federal Reserve Bank of Chicago - -

June 7, 1963

Agricultural Letter



CURRENT SERIAL RECORDS Number 704

MILK PRODUCTION in the United States has averaged slightly below year-earlier levels during the first four months of 1963, despite continuance of the long-term upward trend in per cow production. Production was down about 1 per cent in each of the four months when compared with the same 1962 months. Contributing factors were a decrease in the number of cows being milked in areas where profitable alternatives exist, lower price support levels and poor pasture conditions in some parts of the country.

Per cow production of milk has increased every year since 1934 with the exception of three years during World War II, 1942-44. Underlying this persistent progress are improvements in the inherent productive capacity of dairy herds, better care and more liberal feeding to utilize the increased capacity more fully.

Widespread use of proved sires and artificial insemination, and rigorous culling of poorer producers has rapidly improved the genetic make-up of the nation's dairy herds in recent years. It is generally conceded that these genetic improvements are far from being fully exploited and that production per cow could be substantially increased above present levels, given further improvements in management.

Data from the Dairy Herd Improvement Association indicate the potential for future gains in productivity of milk cows. In DHIA herds, where the quality of milk cows and the level of management is above average, the per cow average was 11,000 pounds of milk in 1961 compared with 9,200 pounds in 1950. During this period, average output per cow was only 7,000 and 5,300 pounds, respectively, for the United States as a whole.

There also has been a considerable shift in the seasonal pattern of average production per cow during the last decade, corresponding roughly to the shift in seasonality of total milk output. While production per cow has risen markedly in every month when compared with the comparable month 10 years earlier, the increase has been greatest in the winter months. January through March and October through December registered an average increase of 43 per cent over the decade. Production for the remaining six months averaged a gain of only 26 per cent. This trend to higher fall and winter per cow milk yields is closely associated with the trends toward fall freshening, heavy grain and concentrate feeding of milk cows, and generally improved management and is likely to cause higher winter and fall milk production to continue.

FEEDER CATTLE INSHIPMENTS into the eight North Central states during April were 16 per cent above the previous year following relatively low levels of inshipments during the first quarter. Inshipments during January and February were 8 and 16 per cent below year-ago levels, respectively, and inshipments during March

were only 5 per cent above the relatively low level of last year.

State	Cattle Inshipments Above Year Ago		Per Cent Change
	April 1962	April 1963	
Ohio	10,766	13,684	+18
Indiana	22,306	13,665	-39
Illinois	80,855	75,360	-7
Michigan	5,236	4,865	-7
Minnesota	31,011	44,160	+42
Iowa	163,726	156,065	-5
South Dakota	21,082	35,864	+70
Nebraska	85,712	143,995	+68
Total	420,694	486,658	+16

More feeder cattle are reported on western ranges than a year ago. Many of these animals are expected to be marketed in the near future, especially those in dry areas of the Central and Southern Plain states. Weather conditions at this time of year normally have a strong influence on the feeder cattle situation and could be an even more important factor this year because of the larger livestock population. Some areas in the Southwest have already experienced drought conditions and in some western areas, summer range conditions have been described as poor though recent rains may have helped to some extent. Dry weather has already forced the marketing of some cattle but the demand for stocker cattle to go to grass has been good in the Northern Plains.

Inshipments during April were up 68 per cent from year earlier in Nebraska and up 70 per cent in South Dakota. This strong demand has prevented feeder cattle prices from adjusting downward in line with fed cattle prices but this demand is likely to play out in the near future as Northern Plains ranchers get their summer ranges stocked.

If a large movement of feeder cattle is forced by drought this summer, feeder cattle prices could drop sharply from current levels. Even without widespread serious dry weather conditions, the lower level of fed cattle prices, larger supplies of feeder animals and higher feed costs are likely to push feeder cattle prices down by fall.

Roby L. Sloan
Agricultural Economist