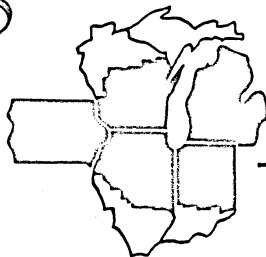


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Federal Reserve Bank of Chicago - -

November 15, 1963

# Agricultural Letter

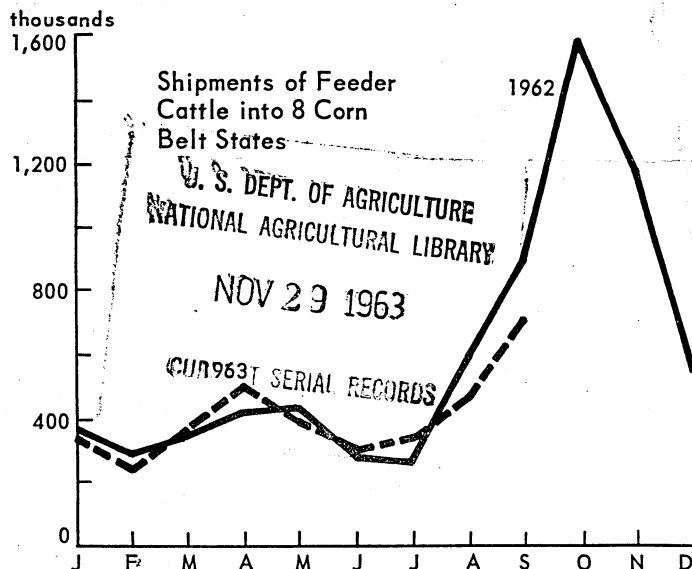


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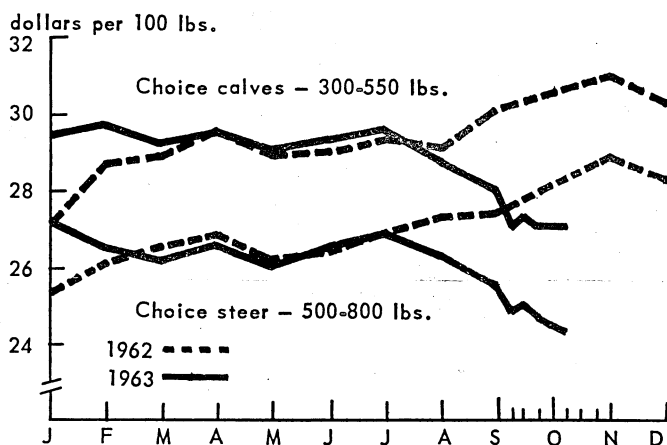
**CATTLE FEEDERS** face difficult decisions this fall. Current estimates put the corn crop at a record level—about 11 per cent above last year's—and other feed-stuffs are in ample supply. There is a strong urge therefore to turn to feeding cattle as an outlet for this abundance.

Many farmers, however, have been unwilling to purchase any appreciable number of feeder cattle at current prices because in their most recent experience cattle feeding was not profitable. In May and June, many farmers sold fat cattle for considerably less than the cost of the animals plus the value of feed. Average returns realized by Corn Belt farmers for short-term fed cattle marketed during the summer of 1963 were the lowest in nearly ten years. Furthermore, there is little basis for expecting any substantial improvement in prices of fat cattle in the coming months.

Fat cattle prices currently are well below year-earlier levels. Inasmuch as the large numbers of cattle that were in feedlots as of October 1 will be coming to market in the next two to three months, the present large-supply, low-price situation is generally expected to continue into the coming year.



Feeder Cattle Prices Below 1962 Level



Feeder cattle prices have only recently begun to respond to the lower level of fat cattle prices prevailing this year. Monthly prices of choice 500-800 pound feeder steers at Kansas City held fairly steady near the \$26 level from February through August. As a result, the spread between prices of fat cattle and prices of feeder cattle purchased seven months earlier has been negative since March.

Recently, choice feeder steers at Kansas City have averaged about \$1 per hundredweight above choice slaughter steers at Chicago—a spread that many farmers consider unattractive for current purchase of feeders. On the other hand, producers of feeder cattle—recalling last

fall's prices—have been reluctant to sell at the lower offered prices, and their hand has been strengthened by late grass, large hay supplies and a mild fall.

Consequently, movement of, and contracting for feeders both have been well below year-earlier numbers this fall. Inshipments to eight selected North Central states during September were 20 per cent below those of the corresponding month a year ago. Inshipments to the three Corn Belt states—Illinois, Iowa and Indiana—were down 7, 29 and 19 per cent, respectively. Supplies of feeder animals at terminal markets increased seasonally during October but were still well below the year-earlier level.

Although the volume of feeders moving toward feedlots reportedly is low, the bulk of these have been heavy feeders. Movement of light-weight yearlings and calves have been exceptionally small. Thus, cattle presently moving into feedlots will require a shorter time on feed to reach slaughter weights, thereby continuing the already large supply of slaughter animals through the early months of next year. Present indications are that first quarter beef production will be well above the year-earlier level. The delaying of purchases of lightweight yearlings and calves, therefore, could possibly result in some rather sharp fluctuations in fed cattle prices in 1964.

Roby L. Sloan  
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