

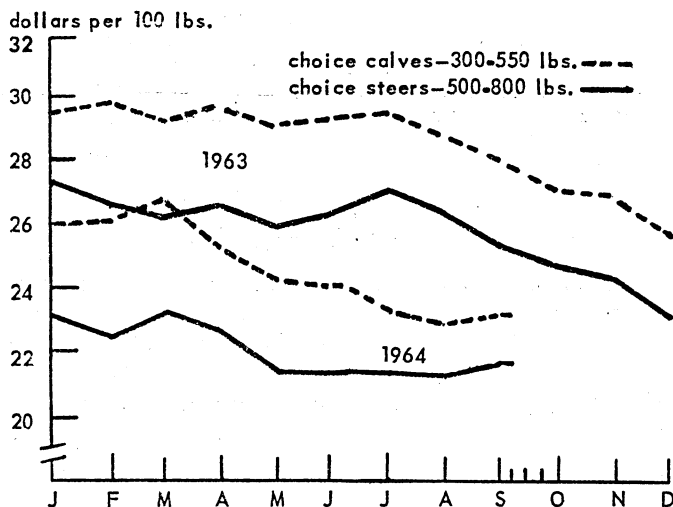
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Federal Reserve Bank of Chicago - -

September 25, 1964

FEEDER CATTLE PRICES declined rather steadily from the beginning of this year to about mid-August. Since mid-August prices of feeder animals have moved up about \$1 per hundredweight but they are still well below 1963 levels. In the second week of September, choice 500-800 pound feeder steers averaged \$21.62 per hundredweight at Kansas City—more than \$4 below a year ago—while 300-500 pound choice steer calves were bringing about \$23 per hundredweight compared with nearly \$28 a year ago.

Feeder Cattle Prices Well Below Year Earlier



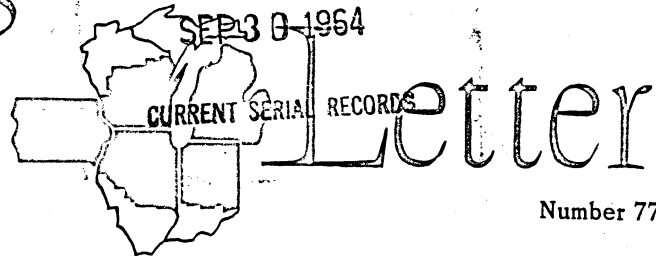
The recent strength in feeder prices primarily reflected the sharp rise in fed cattle prices since early August. Prices of choice cattle at Chicago increased nearly \$3 per hundredweight during August as the number slaughtered declined from previous high levels. This led to some expectations of continued price strength during the remainder of the year and tends to strengthen the demand for feeder cattle.

Despite these developments, however, many farmers are extremely cautious about purchasing large numbers of feeder replacements following the unfavorable experience of the past year. Average returns realized by Corn Belt farmers on "typical" short-term feeding where cattle were marketed during the spring and summer of this year have been the lowest since 1952-53. Many farmers sold fat cattle in May and June for considerably less than the cost of the feeder animals plus the value of the feed.

While prices for feeder cattle during the remainder of the year will, of course, be further influenced by the trend in fed cattle prices, they will also be affected by weather conditions in grazing areas, the production of feed grains and the available supply of feeder animals. Last year, favorable range conditions and record feed grain production softened some of the impact of low fed cattle prices on feeder prices. As a result, feeder prices

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held close to the relatively high year-earlier levels until late summer.

In contrast, the September 1 report of crop conditions indicated that prospects for both feed grains and grazing this year were somewhat less favorable than a year earlier. Corn production in the Seventh Federal Reserve District is expected to be about 8 per cent below last year's crop. In Illinois and Iowa production is expected to be down 6 per cent and 12 per cent, respectively, from last year.

Grazing conditions improved somewhat during August as rains fell in many areas but conditions are still less favorable than a year ago over large portions of the Plains and southwestern states. Range conditions on September 1 for the entire 17-state western region were rated at 75 per cent of "normal"—the poorest since 1956.

Furthermore, volunteer wheat is providing very limited grazing in western Kansas where the dry August weather retarded growth. On September 1, less than 1 per cent of the 1964 harvested acreage showed sufficient growth to provide livestock grazing—slightly less than last year and well below normal.

The bulk of winter wheat pasture is, of course, produced on seeded acreage rather than volunteer acreage. With soil moisture supplies generally below normal and rainfall needed in many sections before wheat can be seeded, the amount of wheat forage available this year will depend largely upon rainfall during the next few weeks.

Supplies of feeder replacements will be larger than a year earlier reflecting increases in the numbers carried over from last year and a larger calf crop this year. The potential supply of feeder animals on July 1 was estimated to be 2 to 3 per cent larger than a year earlier and the 1964 calf crop totaled 42.6 million head or about 2 per cent more than the 1963 crop.

The net result of all these forces will determine prices of feeder cattle this fall. While the picture is not yet in sharp focus, current indications are that feeder prices will probably average near present levels during the remainder of this year.

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