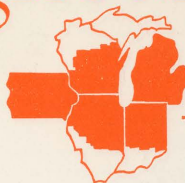


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Agricultural Letter



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FED CATTLE PRICES have held up well during the past few months in the face of continued record levels of cattle slaughter. Prices of choice 900-1100 pound steers at Chicago have averaged about \$26.50 per hundred-weight thus far during January. This is about \$3 per hundredweight above the comparable year-earlier level and only about \$1 below the three-year high reached last June.

Cattle slaughter under Federal inspection, however, has exceeded year-earlier levels for several months. During December, weekly slaughter averaged about 4 per cent above the December 1964 slaughter and in the second week of January was a record 590,000 head, up about 3 per cent from the same week a year ago.

The large increase in consumer incomes and, until recently, lighter weights of animals slaughtered have undoubtedly contributed to the strength in cattle prices. The major factor, however, has been smaller total meat supplies caused by the continued reduction in supplies of pork. In December pork slaughter under Federal inspection was 18 per cent below the year-earlier level and during the first two weeks of January it was down about 23 per cent.

Cattle feeding continues at record levels. About 9.8 million head were on feed in the 32 major states as of January 1, about 5 per cent more than a year earlier and the largest number on record. The increase in the 11 western states was 7 per cent, continuing the rapid expansion that has occurred in this region during recent years. Moreover, most of this increase was in large feedlots—over a thousand head capacity—in which nearly 80 per cent of the western cattle are fattened.

Feeding at Record Level

	1965	1966	Change
	(thousand head)	(thousand head)	(per cent)
Illinois	659	672	2
Indiana	220	249	13
Iowa	1,766	1,642	- 7
Michigan	160	162	1
Wisconsin	137	138	1
Corn Belt states	5,822	6,088	4
Western states	2,502	2,672	7
Total, 32 states	9,348	9,820	5

In the Corn Belt, 4 per cent more cattle were on feed January 1, than a year earlier. However, even within the Corn Belt, the largest increases have taken place in the western parts, with Kansas reporting a gain of 12 per cent and Nebraska 17 per cent. Iowa, the leading cattle feeding state, had 7 per cent fewer cattle in feed-

lots while in Illinois, the fourth ranking state, the number was only 2 per cent greater than a year ago. The relatively large amounts of grain left in the fields during harvest and the generally open weather which permitted extensive stocking of corn fields may have delayed the feedlot placement of many cattle in these states. Cattle and calves placed on feed during the fourth quarter in Illinois were 4 per cent fewer than in the year-earlier period and in Iowa the number was down 14 per cent.

For the entire Corn Belt, the number placed on feed during the final quarter of 1965 was up only 1 per cent. The bulk of the increased feeding activity, therefore, was a result of larger placements earlier in 1965. Longer periods of time on feed were clearly indicated. In the Corn Belt states there were 30 per cent more cattle which had been on feed six months or more on January 1, compared with a year earlier; cattle on feed three to six months showed an increase of 11 per cent, and those on feed less than three months showed an increase of only 1 per cent.

Marketings of fed cattle during the first quarter are expected to continue somewhat above marketings during the same period in 1965. Farmers indicated in the early January survey that they intended to market about 4.5 million head during January through March—about 4 per cent more than in the corresponding year-earlier period.

In addition, slaughter weights have been increasing recently. Average steer weights in Chicago, for example, have risen from about 20 pounds per head below the year-earlier level in December to slightly above the year-ago weights in January. This causes beef production to rise relatively more than the increase in slaughter. However, continued strong consumer demand—because of continued rising incomes and because of further substitution of beef by housewives for relatively high-priced cuts of pork—is likely to maintain cattle prices near current levels despite the indicated larger beef supplies.

Roby L. Sloan
Agricultural Economist