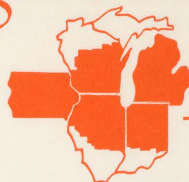


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Agricultural Letter



Number 864

July 8, 1966

FEEDER CATTLE are being moved into the Midwest in record numbers. During May about 25 percent more feeder cattle were shipped into the eight leading Corn Belt states than a year earlier. The May shipments combined with those since the beginning of the year bring the total number received in these states to nearly one-third above the comparable year-earlier number and about 27 percent above the previous high during the same period in 1964. Moreover, reports from terminal markets indicate that purchases of feeder cattle during June were also at a high level. This apparent sharp expansion in feeding activity could indicate that fed cattle marketings during most of the remainder of 1966 are likely to continue higher than year ago.

Feeder Cattle Shipments Sharply Higher

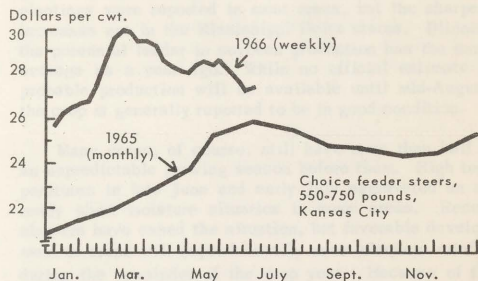
	January-May		Change (percent)
	1965 (thousand head)	1966 (thousand head)	
Ohio	42	35	-17
Indiana	75	73	- 3
Illinois	235	282	+20
Michigan	21	23	+ 9
Minnesota	171	251	+46
Iowa	660	892	+35
South Dakota	104	171	+65
Nebraska	443	573	+30
Total	1,751	2,300	+31

Prices of feeder animals have tended to parallel the changes in prices of slaughter cattle since the beginning of the year. Feeder cattle prices rose rather sharply from January through the first week in March, and although prices since then have declined moderately, they are still well above the year-ago level. In the week ending June 25, choice 550-750 pound feeder steers at Kansas City averaged about \$27.85 per hundredweight—nearly \$2 more than a year ago—while 300-550 pound choice steer calves were bringing about \$31.00, compared to \$28.25 a year ago.

The trend in fed cattle prices, of course, will continue to strongly influence prices of feeder cattle during the summer and fall months. Fed cattle prices tended to stabilize at relatively profitable levels during the latter part of 1965, but many farmers were apparently cautious about purchasing large numbers of feeder replacements, following the relatively low prices received for fed cattle during much of 1964 and the first part of 1965. Many feedlot operators are apparently more optimistic now after several months of improved returns from their feeding operations although cattle prices appear likely to trend downward over the next few months, reflecting continued high levels of marketings and the expansion in both pork and broiler production.

The indicated smaller supplies of animals available for feeding may provide upward pressure on feeder cattle prices during the late summer and fall months this year. The January inventory of livestock indicated that the number of animals from which feedlot replacements will come was about 600,000 head above the year-earlier level. Also, imports of feeder livestock from Canada and Mexico through the January-April period were about 100,000 above 1965. However, with the large increase in placements during the first quarter—up 24 percent—and the indicated continued high level of placements since then, the present supply of animals available for feeding is probably below the 1965 level. In the months ahead, calf slaughter is expected to continue well below year ago, tending to increase the available supply of feeder stock. However, expected withholdings of heifers to build up breeding herds will tend to reduce the available supply of animals for feeding. The net effect on total supply is not clear.

Feeder Cattle Prices Continue Well Above Year Earlier



Feeder cattle prices will also be affected by weather conditions in grazing areas and the prospective production of feed grains. Grazing conditions presently are reported to be slightly less favorable than last year but above average, and prospective feed grain production is likely to be near the record output produced last year.

Although the situation could change dramatically during the coming months, current indications are that feeder cattle prices are likely to continue close to present levels, possibly strengthening somewhat during the remainder of the year.

Roby L. Sloan
Agricultural Economist