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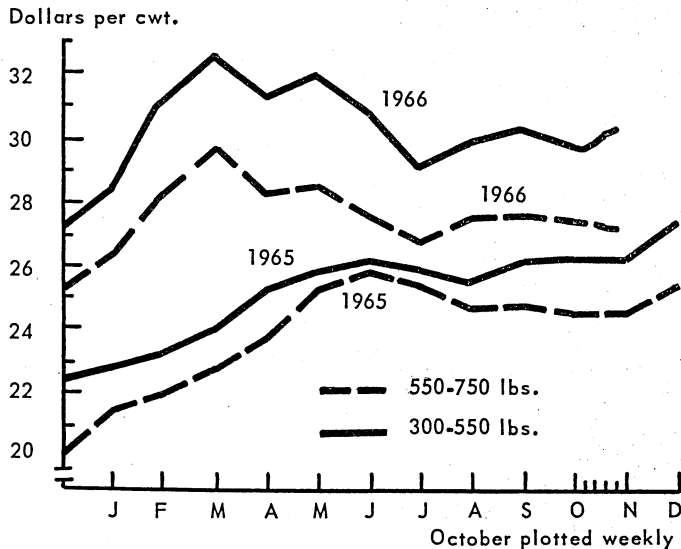
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Federal Reserve Bank of Chicago - -

November 4, 1966

FEEDER CATTLE PRICES have remained at relatively high levels even though returns from feeding operations have declined. In recent weeks, prices of choice 550-750 pound feeder steers have averaged about \$27 per hundredweight at Kansas City while 300-550 pound calves have been bringing about \$30 per hundredweight. These prices compared with about \$24 for steers and \$26 for calves during the same period a year ago.

Feeder Cattle Prices Continue Above Year Earlier



Returns to feeding operations have declined since early this year as fed cattle prices dropped to lower levels and production expenses, especially feed costs, rose rather sharply. In recent weeks, many cattle feeders probably sold cattle with little, if any, return above cost.

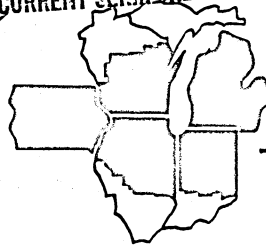
The demand for feeder replacement animals is expected to continue strong, however, partially because of the prospects for sharply higher prices for fat cattle during the coming year. During the past couple of years, a sizable portion of the increase in cattle slaughter has come from inventories and total cattle numbers have declined. As a result, most market observers expect slaughter to decline next year as farmers and ranchers begin withholding heifers to rebuild breeding herds.

Moreover, the demand for animals to place on wheat pasture this fall is expected to be greater than a year ago. While prospective grazing will depend to some extent on future rains, the acreage seeded to wheat this fall was significantly larger than a year ago, reflecting the expansion in the national wheat allotment; the wheat allotment for 1967 was increased by about 16.6 million acres although not all of the increase will be put back into production. As of mid-October, about 2.5 percent of the wheat acreage in the Southwest was being grazed compared with slightly over 1 percent at this time last year. The main grazing period is expected to start about mid-November.

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In addition, the supply of feeder animals this fall is somewhat smaller than a year ago. The 1966 calf crop was down about 2 percent from a year ago, and feeder imports from Canada and Mexico are also below last year's high levels. The withholding of heifers to rebuild breeding herds, of course, will reduce the available supply of animals for feeding even further.

Farmland values in the Seventh Federal Reserve District have continued to increase. The average value per acre of "good" farmland—according to a recent survey of country bankers—increased about 3 percent since July, when the previous survey was conducted, and was 9 percent above the year-earlier level (see back of Letter).

Gains in land values were widespread; 14 areas out of the 17 reported increases during the third quarter, and in all areas prices were indicated to be higher than at this time last year.

The largest gains in land values from a year ago were in the three Corn Belt states—Illinois, Indiana and Iowa. Increases of 10 percent or more during the past year were reported by respondent bankers in each of these states. In Wisconsin and Michigan, land values were indicated to be 6 and 8 percent, respectively, above October 1965.

While most bankers responding to the early October survey still view the current trend in land values as upward, a larger proportion of bankers now, than earlier this year, expect land prices to stabilize in the months ahead. About 34 percent of the respondents foresee stable land prices compared with 28 percent in July and only 17 percent in April. This shift in expectations apparently reflects the generally tighter credit conditions and the difficulty on the part of some potential purchasers of farmland to obtain sufficient financing.

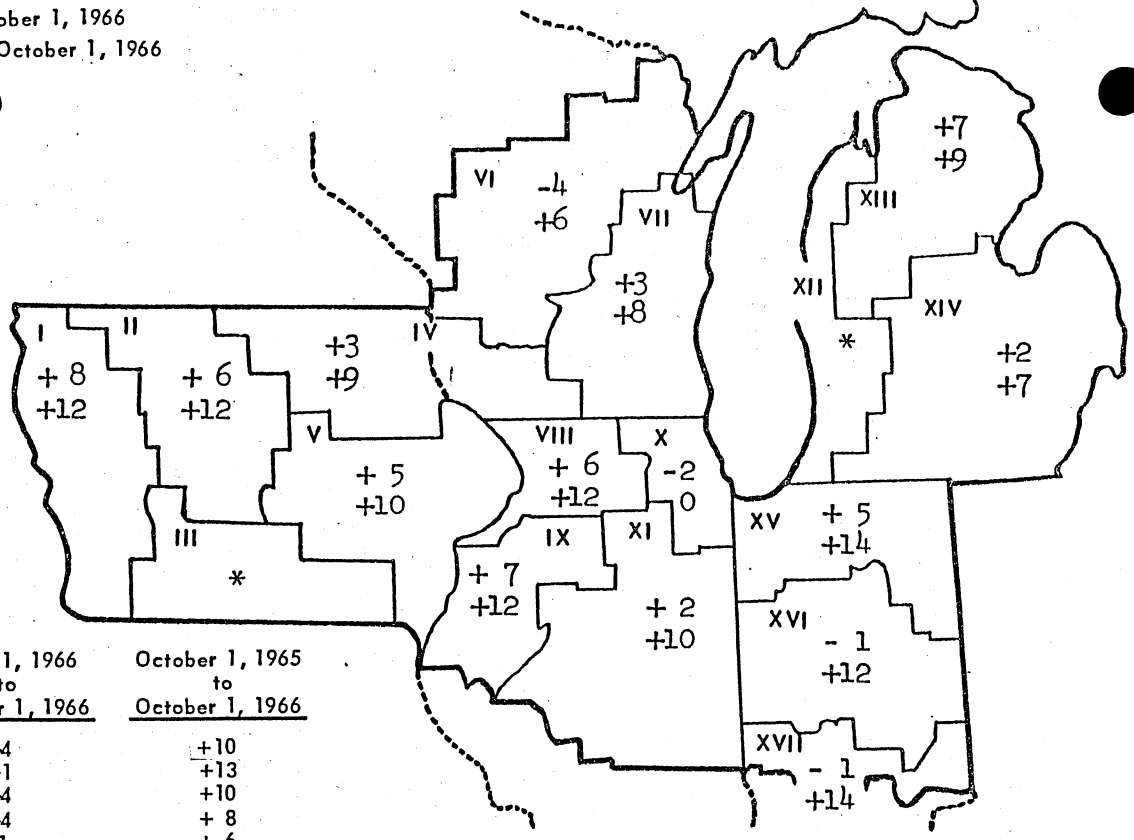
The land market has undoubtedly been influenced by the sharply higher cost of farm mortgage credit, but the continued high level of farm prosperity apparently has been partially offsetting this. Cash receipts from farming in the Seventh District during the first eight months of this year averaged about 16 percent above the year-ago level and prospects for continued relatively high levels of income next year are favorable.

Roby L. Sloan
Agricultural Economist

Percent change in dollar value per acre of "good" farms

TOP: July 1, 1966 to October 1, 1966
 BOTTOM: October 1, 1965 to October 1, 1966

(based on reports of identical banks)



July 1, 1966 to October 1, 1966 October 1, 1965 to October 1, 1966

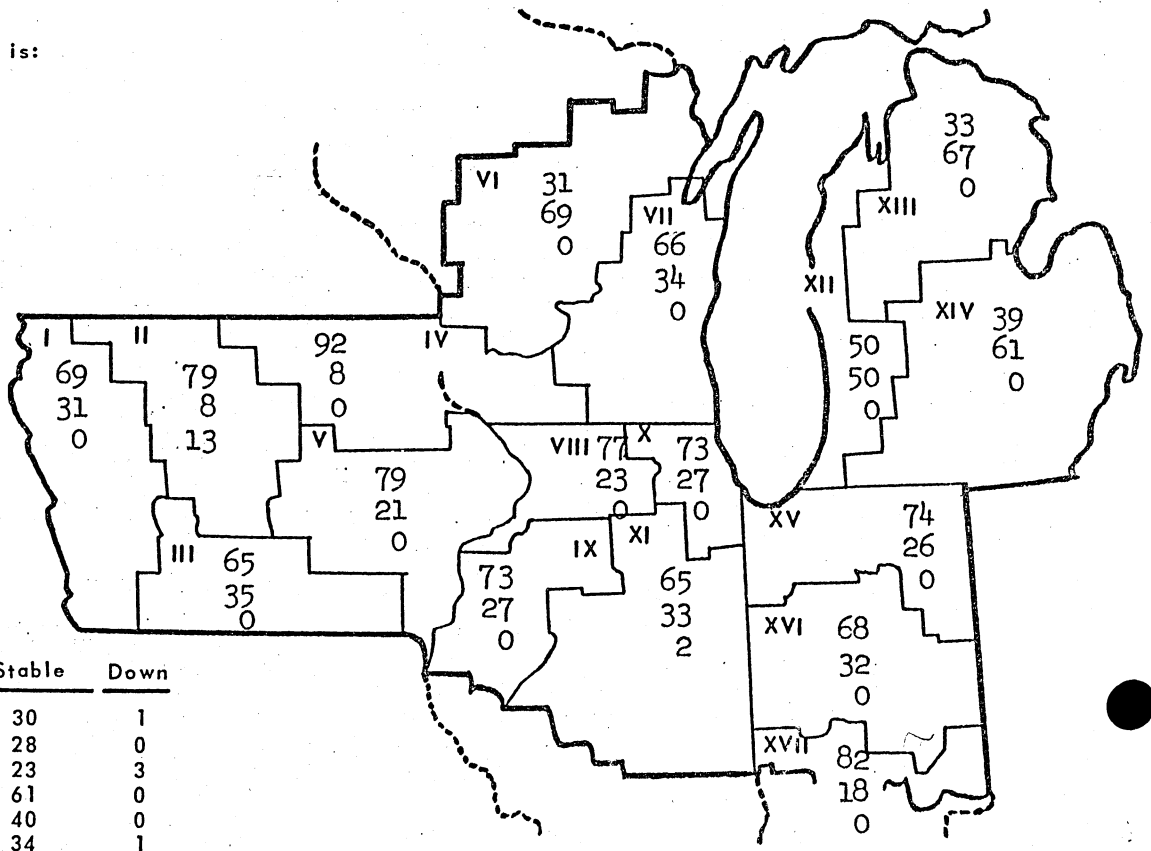
Illinois.....	+4	+10
Indiana.....	+1	+13
Iowa.....	+4	+10
Michigan.....	+4	+8
Wisconsin.....	-1	+6
SEVENTH DISTRICT.	+3	+9

*Insufficient number of banks reporting.

Current trend in farm land values based on opinions of country banks as reported in October 1966.

Percent of banks reporting trend is:

TOP: Up
 CENTER: Stable
 BOTTOM: Down



Up Stable Down

Illinois.....	69	30	1
Indiana.....	72	28	0
Iowa.....	74	23	3
Michigan.....	39	61	0
Wisconsin.....	60	40	0
SEVENTH DISTRICT.	65	34	1