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Agricultural Letter



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CATTLE FEEDING continued to expand through year-end. A record 8.5 million head of cattle were placed in feedlots in the fourth quarter—a 4 percent increase over the year earlier period. Marketings also were up but by a smaller amount. In the last three months of 1969, about 6 million head were marketed, compared with 5.5 million the previous year. As a result, 12.6 million cattle and calves were on feed at the beginning of the year—an increase of 6 percent from a year ago.

Western states had the largest increases in cattle on feed, as has been the case in most recent years. Cattle on feed in the ten states in the region rose 13 percent. Texas, the third most important cattle feeding state, was up about a third and accounted for three-fifths of the increase in these states.

In the Corn Belt, cattle on feed increased only about 2 percent from last year. Iowa, the leading cattle feeding state, had about the same number on feed as a year ago, while in Illinois numbers on feed were down 4 percent.

Cattle on Feed Expand Further

	January 1969 <i>(thousand head)</i>	January 1970	Change 1969-70 <i>(percent)</i>
<u>Time on feed</u>			
Less than 3 months	7,941	8,236	+ 4
3 to 6 months	3,374	3,687	+ 9
Over 6 months	578	717	+24
<u>Weight</u>			
Under 900	8,899	9,316	+ 5
900 pounds and over	2,994	3,324	+11
Total	11,893	12,640	+ 6

Much of the increase in cattle feeding in recent years has been associated with the rapid expansion of commercial feedlots—those with capacities for at least 1,000 head. During 1969, cattle sold from these lots represented 52 percent of the total fed cattle marketings—up from 47 percent during 1968. The development of large scale feeding operations has been largely confined to states in the Plains and the West, especially the Southwest. Texas feedlot operators, for example, marketed around 2.7 million head of cattle last year. This was about 800 million more cattle than were marketed in 1968 and represented about half of last year's national increase. Marketings from commercial lots in Texas accounted for 96 percent of marketings in that state.

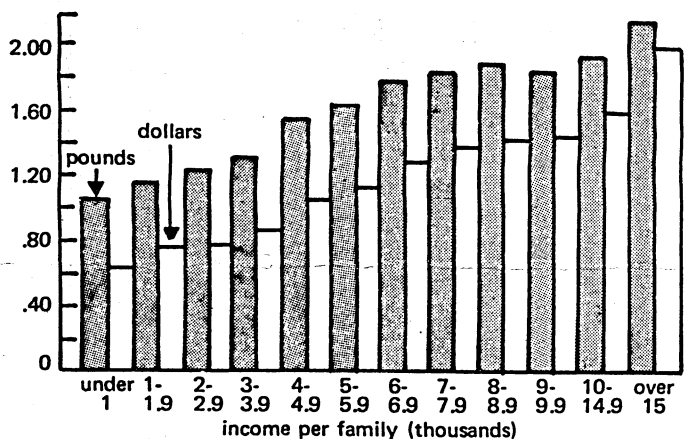
Prices of fed cattle have remained relatively strong over the past several months despite continued large marketings. During the final quarter of 1969, prices of choice 900-1,100 pound steers at Chicago fluctuated between \$28 and \$29 per hundredweight—about a dollar over the 1968 level in the same period. Prices are currently about the same as last year, averaging around \$29.50 a hundredweight.

With larger supplies of fed cattle coming to market, non-fed cattle slaughter has been reduced. Nevertheless, beef production under federal inspection during the fourth quarter

averaged around 6 percent above the fourth quarter in 1968. In the first two weeks of January, beef production has been at a record level, exceeding last year's amount by 5 percent. Part of the increase in supply has been due to heavier slaughter weights—dressed slaughter weights in recent weeks have been running nearly 20 pounds per animal above last year.

Beef production is apt to remain large during the first quarter of 1970 because of larger fed cattle marketings. The Department of Agriculture's early January survey indicated marketing intentions of about 6.1 million head between January and March—about 7 percent more than a year before. But continued smaller marketings of both non-fed cattle and hogs should reduce overall meat supplies. Thus, prices should continue close to current levels, even if the demand for beef should slacken.

Beef Consumption Boosted by Income



Levels of income apparently exert a substantial impact on the demand for meat, especially beef. Numerous studies, by the Department of Agriculture and others, indicate that, at any given price level, families with higher incomes consume more meat than lower income families. Data recently made available from the food consumption surveys conducted in 1965 indicate that a 10 percent increase in income is associated with about a 3 percent gain in beef consumption. During 1969, demand for beef was bolstered by high levels of employment and rapid gains in incomes. Although employment remains at a high level, income gains have slowed recently. A continuation of this slackening would suggest some moderation in the demand for beef.

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