

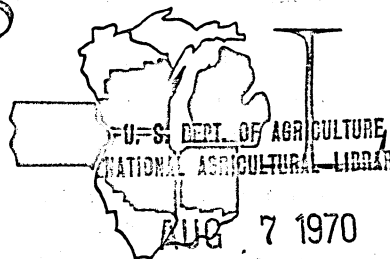
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Federal Reserve Bank of Chicago - -

July 31, 1970

# Agricultural Letter



Number 1076

CURRENT SERIAL RECORDS

**FED CATTLE PRICES** are likely to trend lower during the remainder of 1970 reflecting continued expansion in feeding. Cattle on feed in the nation's 22 major feeding states numbered nearly 10.6 million head at midyear—2 percent more than a year ago. Most of the increase was in the Western states, especially Texas. The number of cattle in Texas feedlots increased 13 percent over a year ago.

By contrast, the total number of cattle on feed in the five Seventh District states declined 1 percent from a year ago. This mainly reflected a 3 percent drop in cattle on feed in Iowa, the nation's leading cattle feeding state. Indiana also showed a decline with the number on feed down 5 percent from a year ago. Illinois showed a 2 percent increase. Michigan and Wisconsin had increases of 14 and 4 percent, respectively.

Beef supplies have been running ahead of year-earlier levels since April. Federally inspected beef production from January through mid-July was about 5 percent greater than a year earlier. Marketings of fed cattle during the second quarter were 7 percent greater than a year ago. Reflecting these larger supplies, prices averaged around \$3 per hundredweight below the midyear peaks of 1969. In recent weeks, however, prices have strengthened but are still well below those of a year ago.

Marketings during the current quarter are expected to be 3 percent greater than a year ago but less than the previous quarter. A further increase in marketings over the year before is likely in the fourth quarter. In addition, producers have been marketing animals at heavier weights. Choice steers at seven major markets during the first half of 1970 averaged 29 pounds per head heavier than in 1969. A continuation of this trend, coupled with larger numbers marketed in the second half of the year, could substantially increase beef supplies. Competing pork and poultry supplies are also expected to increase during the second half. Poultry production has been expanding throughout most of 1970, but pork was in shorter supply during the first half of 1970 than in 1969.

Increased consumer demand is apt to only partially offset the rise in meat supplies in the second half of 1970. Although consumer disposable income will continue to increase during the remainder of the year, the rate of increase is uncertain. The expiration of the income surtax as of July 1 will bolster consumer incomes. A continuation of the decline in employment, on the other hand, would moderate future increases. Total employment (seasonally adjusted) fell in May and June. Consumers have been saving an increasing proportion of their incomes, possibly reflecting a general feeling of pessimism about the future. In June, the savings rate—at about 7.6 percent of disposable income—was the highest since 1967. A protracted auto workers' strike could also adversely affect consumer spending for meat.

Higher costs for both feeder animals and feeds have squeezed profit margins. Feeder cattle prices in recent weeks averaged at or above the midyear high of 1969. Because of the decline in fed cattle prices, feeder animals at \$35 to \$40 per hundredweight are costing Midwestern producers more, relative to fed cattle prices a year ago.

### Break-even Prices for Fed Cattle

Price of feeders (dollars per cwt.)	Cost of gain* (dollars per cwt.)				
	24	26	28	30	32
<b>650 lb. yearling steers</b>	Selling prices—1150 lb. steers (dollars per cwt.)				
32	28.52	29.39	30.26	31.13	32.00
33	29.09	29.96	30.83	31.70	32.57
34	29.65	30.52	31.39	32.26	33.13
35	30.22	31.09	31.96	32.83	33.70
36	30.78	31.65	32.52	33.39	34.26
<b>450 lb. steer calves</b>	Selling prices—1050 lb. steers (dollars per cwt.)				
37	29.57	30.71	31.86	33.00	34.14
38	30.00	31.14	32.29	33.43	34.57
39	30.43	31.57	32.71	33.86	35.00
40	30.86	32.00	33.14	34.29	35.43
41	31.29	32.43	33.57	34.71	35.86

\*Includes charges for labor and overhead.

Corn prices have averaged about 3 cents per bushel above year-ago levels. Protein supplements have averaged over \$3 per ton above a year ago, reflecting high soybean meal prices. Prospective supply and demand conditions suggest feed costs will continue high through the remainder of the year.

Profit margins are likely to continue slim through the remainder of the year, even for the most efficient producers. Average costs of gain and current feeder animal prices suggest a selling price of over \$30 per hundredweight would be necessary to recover all costs including labor and overhead. Futures contracts for choice steers at Chicago are currently selling for around \$29 per hundredweight.

Dennis B. Sharpe  
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## FARM BUSINESS CONDITIONS

I T E M S	1970		1969
	June	May	June
<b>PRICES</b>			
Received by farmers, U. S. (1957-59=100) . . . . .	116	117	116
Paid by farmers, U. S. (1957-59=100) . . . . .	133	132	128
Parity price ratio (1910-14=100) . . . . .	72	73	75
Wholesale, all commodities (1957-59=100) . . . . .	117.0	116.8	113.2
Paid by consumers (1957-59=100) . . . . .	135.2	134.6	127.6
Wheat, No. 2 red winter, Chicago (dol. per bu.) . . . . .	1.41	1.48	1.28
Corn, No. 2 yellow, Chicago (dol. per bu.) . . . . .	1.37	1.32	1.31
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.71	.70	.64
Grain Sorghum, No. 2 yellow, Kansas City (dol. per cwt.) . . . . .	2.03	1.96	2.02
Soybeans, No. 1 yellow, Chicago (dol. per bu.) . . . . .	2.81	2.70	2.69
Hogs, barrows and gilts, Omaha (dol. per cwt.) . . . . .	23.65	23.43	24.97
Beef steers, choice grade, Chicago (dol. per cwt.) . . . . .	30.56	30.53	34.22
Milk, wholesale, U. S. (dol. per cwt.) . . . . .	5.31	5.39	5.09
Butterfat, U. S. (dol. per lb.) . . . . .	.71	.71	.69
Broilers, live, U. S. (dol. per lb.) . . . . .	.13	.14	.15
Eggs, U. S. (dol. per doz.) . . . . .	.31	.30	.31
Milk cows, U. S. (dol. per head) . . . . .	331	333	303
Farm labor, U. S. (dol. per week without board) . . . . .	--	--	--
Factory labor, U. S. (dol. earned per week) . . . . .	134.40 <sup>P</sup>	132.93 <sup>P</sup>	130.06
<b>PRODUCTION</b>			
Industrial, physical volume (1957-59=100) . . . . .	168.6	169.1	173.7
Farm marketings, physical volume (1957-59=100) . . . . .	108	101	103
<b>INCOME PAYMENTS</b>			
Total personal income, U. S. (annual rate, bil. dol.) . . . . .	798.8 <sup>P</sup>	799.8	746.2
Cash farm income, U. S. <sup>1</sup> (annual rate, bil. dol.) . . . . .	50.1	50.4	48.5
<b>EMPLOYMENT</b>			
Agricultural (millions) . . . . .	4.2	3.7	4.4
Nonagricultural (millions) . . . . .	75.2	74.6	74.6
<b>FINANCIAL (district member banks)</b>			
Demand deposits:			
Agricultural banks (1957-59=100) . . . . .	138.7	135.3	136.5
Nonagricultural banks (1957-59=100) . . . . .	128.0	129.8	129.7
Time deposits:			
Agricultural banks (1957-59=100) . . . . .	361.2	359.1	332.0
Nonagricultural banks (1957-59=100) . . . . .	318.3	315.4	318.0

<sup>1</sup> Based on estimated monthly income.

<sup>P</sup>Preliminary

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.