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Federal Reserve Bank of Chicago - -

U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL STATISTICS SERVICE
November 2, 1973 RECEIVED

NOV 15 1973

Agricultural Letter

Number 1246

PROJECTED CATTLE MARKETINGS continue under a cloud of uncertainty. While the report suggests a sizable gain in marketings, cattle slaughter during October lagged considerably below year-earlier levels. More distant projections into the first half of 1974 are shaded by the uncertainty surrounding fall placements of cattle in feedlots and by the weights at which the placements will enter feedlots.

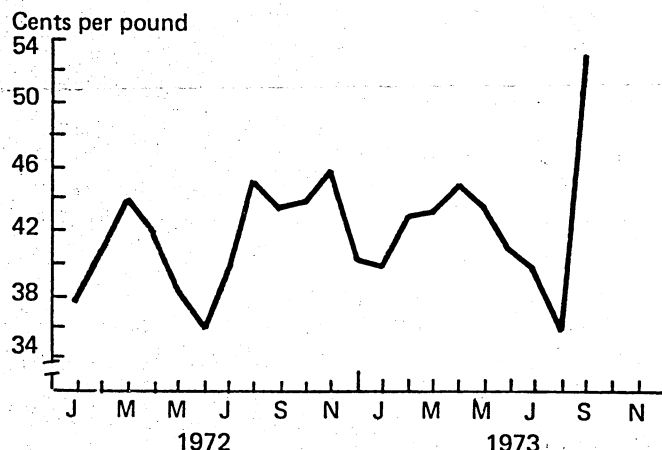
The October 1 Cattle on Feed report indicated numbers were up 2.6 percent from a year ago in the 23 major cattle feeding states. In line with the sharp decline in third-quarter placements and marketings, an unusually large portion of the total inventory reflected heavyweight cattle. For example, the combined inventory of steers weighing 900 pounds or more, coupled with heifers weighing 700 pounds or more, numbered 13 percent above the October 1, 1972 level, and accounted for nearly one-half of all steers and heifers on feed. Normally, the bulk of these would be marketed during the fourth quarter.

Projected marketings based on weight distributions have widely overestimated actual marketings for the past few quarters, and it is likely that the same will hold true for the near future. While the discrepancy may be partially due to errors in inventory numbers, evidence now emerging verifies other contributing factors. Domestic utilization of soybean meal fell sharply this summer in response to high prices. Simultaneously, the domestic utilization of corn experienced an unusually large gain, particularly relative to the marginal increase in the number of grain-consuming animal units. These two developments, plus the uncertain impact of the DES ban, support the view that feeding practices have been altered substantially with an attendant lengthening in feed periods.

Another factor contributing to the discrepancy in inventory figures and subsequent marketings reflects the unusually heavy exports of live cattle, particularly into Canada. In August, U. S. exports of cattle and calves exceeded 24,000 head, equal to only about 1 percent of domestic cattle slaughter but nearly seven times the number exported in the same month last year. Such exports have reportedly accelerated during September and October, reflecting the higher Canadian cattle prices.

Cattle marketings for the fourth quarter are expected to rise above year-earlier levels by most observers. However, the gain will have to come during November and December, as preliminary evidence indicates cattle slaughter lagged the year-ago level by 7 percent in October. Based on these early developments, the actual year-to-year gain may closely approximate the 1 percent increase suggested by the marketing intentions expressed by cattle feeders in the Cattle on Feed report. Marketings for the first half of 1974 are less clear. The lag in current inventories of lightweight cattle portends sizable lags in winter and early spring marketings. However, the lags could be lessened by the movement of heavyweight feeders into the feedlots this fall.

Farm-Retail Beef Price Spread Up Sharply in September



Current price relationships between feed, feeder stock, and fed cattle are not conducive to expanded feedlot placements. Nevertheless, feeder cattle prices may decline (particularly if the large number held on pasture this year return to market), feed prices have continued downward in recent weeks (reflecting improved worldwide production prospects for grains and soybeans), and most observers anticipate some degree of strengthening in fed cattle prices in the first half of next year. These developments, taken together, support the possibility of improved feeding margins, which may boost fall placements above year-earlier levels. The likelihood that such placements may be heavier than normal—due to extended periods on pasture—could buffer what otherwise will be a sizable lag in winter and early spring marketings.

The cattle price outlook is clouded not only by the uncertainties of future supplies but also by the uncertainty surrounding the recent lackluster consumer demand for beef. In part, the passive demand reflects consumption out of household stockpiles accumulated during the beef shortage threats in August. While it is reasonable to expect this component of total demand to return as consumers' freezers are emptied, the return of that component of total beef demand that subsided due to a shift in consumer preferences is less certain. However, the revitalization of consumer demand would be enhanced if the comparable declines experienced in cattle prices since mid-August were fully reflected in retail beef prices. Comparable declines were not evident in September when the farm-retail price spread for beef rose sharply.

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AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	Sept.	191	- 8	+ 48
Crops	1967=100	Sept.	183	- 6	+ 56
Livestock	1967=100	Sept.	198	- 9	+ 43
Paid by farmers	1967=100	Sept.	150	- 1	+ 17
Production items	1967=100	Sept.	154	- 2	+ 24
Family living items	1967=100	Sept.	142	+ 1	+ 13
Ratio of prices received to prices paid	1967=100	Sept.	127	- 8	+ 26
Consumer price index (<i>all items</i>)	1967=100	Sept.	136	0	+ 7
Food at home	1967=100	Sept.	149	- 1	+ 21
CASH FARM PRICES (<i>U. S. average</i>)					
Corn	dol. per bu.	Sept.	2.15	-20	+ 76
Soybeans	dol. per bu.	Sept.	5.81	-35	+ 78
Wheat (<i>all</i>)	dol. per bu.	Sept.	4.62	+ 4	+167
Sorghum grain	dol. per cwt.	Sept.	3.87	+ 6	+ 83
Oats	dol. per bu.	Sept.	1.09	- 4	+ 69
Beef steers and heifers	dol. per cwt.	Sept.	49.70	-10	+ 39
Hogs	dol. per cwt.	Sept.	43.80	-22	+ 56
Milk, all sold to plants	dol. per cwt.	Sept.	7.63	+ 6	+ 23
Milk cows	dol. per head	Sept.	536	+ 1	+ 35
Chickens, broilers, live	cents per lb.	Sept.	30.3	-20	+ 97
Eggs	cents per doz.	Sept.	64.2	- 7	+ 89
INCOME (<i>seasonally adjusted annual rate</i>)					
Cash receipts from farm marketings	bil. dol.	2nd Qtr.	75.5	+ 4	+ 26
Net farm income	bil. dol.	2nd Qtr.	24.5	+ 2	+ 27
Nonagricultural personal income	bil. dol.	Aug.	1,011.6	+ 1	+ 10
FARM FINANCE					
Total deposits at agricultural banks ¹	1967-69=100	Sept.	145	n.a.	+ 16
Time deposits	1967-69=100	Sept.	183	n.a.	+ 18
Net demand deposits	1967-69=100	Sept.	222	n.a.	+ 20
Total loans at agricultural banks ¹	1967-69=100	Sept.	205	n.a.	+ 21
Production Credit Associations					
loans outstanding:					
United States	mil. dol.	Aug.	7,583	+ 1	+ 14
Seventh District states	mil. dol.	Aug.	1,296	+ 2	+ 9
new loans made:					
United States	mil. dol.	Aug.	996	+11	+ 46
Seventh District states	mil. dol.	Aug.	160	+ 5	+ 42
Federal Land Bank Associations					
loans outstanding:					
United States	mil. dol.	Aug.	10,441	+ 2	+ 21
Seventh District states	mil. dol.	Aug.	1,895	+ 1	+ 14
new loans made:					
United States	mil. dol.	Aug.	241	+27	+ 52
Seventh District states	mil. dol.	Aug.	29	+16	+ 38
Interest rates					
		week ending			
Three-month Treasury bills	percent	10/24	7.06	- 2	+ 49
Federal funds rate	percent	10/24	9.98	- 1	+ 99
Government bonds (<i>long-term</i>)	percent	10/24	7.24	+ 1	+ 21
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	Aug.	1,469.5	+21	+116
Agricultural imports	mil. dol.	Aug.	725.4	+13	+ 30
FARM MACHINERY SALES					
Farm tractors	units	Aug.	12,297	- 3	+ 25
Combines	units	Aug.	431	+10	+ 80
Balers	units	Aug.	133	-48	+ 48

¹ Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

n.a. Not available.