

THE FEDERAL RESERVE BANK OF CHICAGO

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Feeder cattle prices have stabilized in recent weeks, following a sharp decline in June. Some markets have even shown price strength. Rains in drouthy areas have relieved pressure on many range producers to market their stock and the generally good corn crop prospects have sharpened the interest of Corn Belt farmers in feeder cattle. Feeder steers at Kansas City averaged \$25.93 in the third week of July, compared with \$25.25 the previous week, but were about \$5.00 below year-ago quotations.

A large number of cattle will go into Corn Belt feed-lots this fall. This is almost certain in view of the excellent corn crop prospects and the record number of cattle on farms and ranches. Price developments are also more favorable to a large volume of feeding. Choice slaughter steer prices have given a mild indication of strength in recent weeks and are only about \$1.50 below the year-ago level. The margin between feeder and slaughter cattle prices, consequently, is much more favorable to putting cattle on feed than it was a year ago. But there are retarding factors in the picture.

Rapid progress of the corn crop indicates dry, ripe corn this fall. Such corn can be stored conveniently. And a very attractive price support loan is available. Some farmers, therefore, will choose to store their corn and avoid the risks involved in feeding cattle. Furthermore, the results of last year's feeding experience are still fresh in mind and will deter some farmers, assuming their corn is of storable quality. Finally, if pasture conditions improve further, the recent rapid build up in cattle numbers may continue, with little increase in marketings of feeder cattle from the range areas. Most Corn Belt farmers, however, when they have large feed supplies on hand, take steps to convert them into livestock or livestock products. And the supply of feeder cattle may be augmented by imports from Mexico and Canada this fall.

The number of cattle on feed July 1 was the highest for the postwar years, according to a recent BAE survey, 13 per cent more than the relatively small number a year earlier and moderately more than in 1950. Percentage increases from 1951 for District states were: Illinois, 19; Indiana, 30; Iowa, 15; Michigan, 10; Wisconsin, 5. Compared with a year ago, larger percentages of the total number on feed have been on feed less than three months, and more than six months, but a smaller percentage has been on feed for 3-6 months. Relatively large marketings are indicated for August and September, with nearly three-fourths of the cattle on feed July 1 being scheduled for marketing before October 1. Supplies of top grades of slaughter cattle, however, may be less adequate beginning in October. Feeder cattle shipments into the Corn Belt during April-June were about 15 per cent larger than in the same period last year.

The increased beef supplies now in prospect for this fall may not depress prices greatly as pork supplies will be smaller than last year and hog prices, as indicated last spring, probably will be above the year-ago level. The demand for beef, of course, is very sensitive to employment and payrolls. If continued high employment and wage income is realized, there'll be a broad demand for beef at prices profitable to efficient producers.

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