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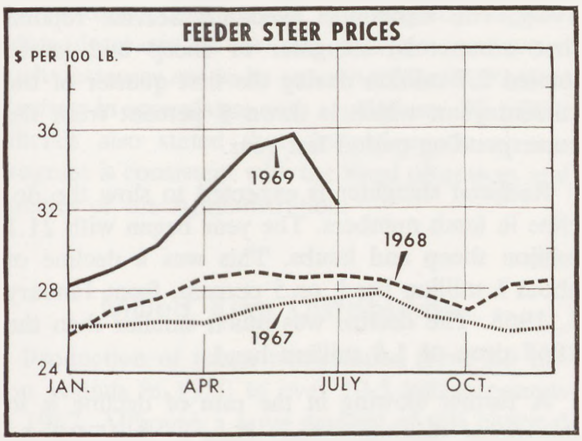
MORE FED CATTLE

The first half of 1969 will long be remembered in the fed cattle industry as a period of favorable times. Prices, marketings, and placements rose to record levels. The Southwest, in particular, has shared in these developments. Prices have been the big story. Fed cattle prices rose last winter and jumped sharply in the spring to reach a peak in early June. Prices have generally declined since mid-June but are still well above levels of a year earlier. In early January, Choice steers at Chicago were selling at about $29 per hundredweight. By the first week of June, Choice steers topped $35, or about $8.50 higher than a year earlier. They have since declined to around $30 but remain $2.10 higher than a year earlier.

The first-half strength in fed cattle prices resulted mainly from an extremely strong consumer demand for meat, according to the U.S. Department of Agriculture. Incomes have been up sharply, and employment rates have been very high — both resulting in a strong continuation of inflationary pressures.



SOURCE: U.S. Department of Agriculture.

The USDA reports that fed cattle prices in the fall are expected to weaken from summer levels. However, prices should be near or above a year ago, when Choice steers in Chicago averaged about $28.50 per hundredweight. Price weakness this fall should be limited, despite considerably larger marketings, because consumer demand for beef is expected by the USDA to continue very strong. Some of the encouragement in fed cattle prices is based on the USDA's forecast that pork supplies will be sharply reduced and nonfed beef supplies will be down this fall.

According to the USDA's August issue of the *Livestock and Meat Situation,* western (including southwestern) fed cattle prices may come under more pressure this fall than prices in the Corn Belt. In the first half of 1969, fed cattle prices throughout the country generally followed a similar price pattern, even though marketings were up more sharply in the West. But there could be a regional price difference in the fall as a sharp increase is expected in fed cattle marketings from the West, compared with only a small increase in the Corn Belt.

Fed cattle marketings are expected by the USDA to be considerably larger in the fall than in October-December 1968 but little different from summer marketings. On July 1, there were 23 percent more cattle on feed in weight groups that typically reach slaughter weight in the fall. The number of steers weighing 700 to 900 pounds was up 21 percent, and there were 28 percent more

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS

heifers weighing 500 to 700 pounds. The USDA estimates that fall marketings this year will not be as large as indicated by the number of lighter weight cattle on feed on July 1. In 1968, lightweight cattle on feed at midyear supplied about 60 percent of the fall marketings. The remainder came from cattle placed on feed in the summer or early fall.

Fed cattle weights this fall are expected to be about the same as a year ago. However, there is the possibility that cattle feeders may be inclined to step up weights because feeder cattle prices have risen while feed prices have remained relatively constant. The USDA warns, however, that in the past when cattle feeders have kept cattle on feed to increase weights above normal, fed cattle prices have declined. Any sizable increase in the volume of highly finished cattle usually results in severe discounts on these cattle and lower prices on all cattle.

Farm Numbers and Population Continue to Decline

The farm population continues to decline, according to a recent report issued jointly by the U.S. Department of Agriculture and the U.S. Department of Commerce. Estimated at 10,454,000 during 1968, the farm population was 4 percent below the preceding year and one-third below the 1960 total. The result: farm population accounts for only slightly over 5 percent of total population, compared with almost 9 percent in 1960.

Meanwhile, total U.S. population, estimated at 199,376,000 in 1968, was up more than 1 percent over the preceding year and was 11 percent larger than in 1960. More important: the nonfarm population was up nearly 15 percent from 1960 — increasing from 165 million in 1960 to 189 million in 1968.

The number of U.S. farms also continued to decline in 1968. At 3,054,000, the number was off 3 percent from a year earlier and down 23 percent from 1960. But, the number of larger farms continued to advance. Farms with cash receipts of $40,000 or more totaled 194,000, up 6 percent from a year earlier and 72 percent above the 1960 figure. Moreover, although they accounted for only 6 percent of all U.S. farms (against 3 percent in 1960), these larger farms accounted for nearly 49 percent of the Nation's cash receipts from farming.

Also up were the number of farms with cash receipts of from $20,000 to $39,999. At 332,000, they were 5 percent above a year earlier and up 46 percent from 1960. These farms accounted for 11 percent of all farms but 21 percent of all cash receipts. The number of farms with cash receipts of from $10,000 to $19,999 totaled 495,000 in 1968, virtually unchanged since 1960, but they accounted for only 17 percent of cash receipts, compared with 21 percent in 1960.

Farms with from $5,000 to $9,999 in cash receipts totaled 420,000, down 36 percent from 1960, and accounted for only 7 percent of total cash receipts. Those with from $2,500 to $4,999 in cash receipts totaled 327,000, down 47 percent from 1960, and accounted for only 3 percent of the cash receipts. The number of farms in the United States with less than $2,500 in cash receipts totaled 1.3 million, down 30 percent from 1960; but with average cash receipts of $1,203 per farm, these farms accounted for only 3 percent of cash receipts from farming.

Sheep and Lambs Bring Record Prices

Lamb prices in the United States this year are the highest since 1951 and are approaching record levels, as slaughter has been running sharply below 1968. The Economic Research Service reports that commercial slaughter of sheep and lambs totaled 2.7 million during the first quarter of the current year, which is down 8 percent from the corresponding period last year.

Reduced slaughter is expected to slow the decline in lamb numbers. The year began with 21.1 million sheep and lambs. This was a decline of about 1 million head, or 5 percent, from January 1, 1968. The decline was much smaller than the 1967 drop of 1.8 million head.

A further slowing in the rate of decline is in the offing this year, according to the ERS. In order for the inventory to match last year's, however, slaughter for the remainder of 1969 would have to drop at least 15 percent below the previous year. Currently, such a sharp decline seems unlikely.

On March 1, there were 12 percent fewer lambs on feed in the seven major feeding states than on the same date last year. Combining this with the January 1 figure of 14 percent more new-crop lambs (born between October 1 and December 1, 1968), figures for spring slaughter are expected to be lower than a year earlier but by a smaller margin than in the first quarter.

CCC Certificates of Interest To Be Discontinued

The U.S. Department of Agriculture announced on August 8 that the Commodity Credit Corporation is deactivating the program under which financial institutions have been permitted to participate in the financing pools of price-support loans by purchasing certificates of interest. August 29, 1969, was scheduled to be the last day on which the CCC would offer and accept payments for certificates of interest. Thereafter, approvals were to be canceled.

According to the USDA, financial institutions may hold certificates until maturity on August 1, 1970, unless they are called before then. CCC officials have suggested that financial institutions should probably seek substitute investments as promptly as possible. These officials stated that they do not intend to increase the interest rate paid on outstanding certificates beyond the current 7 percent and that if short-term interest rates decline from present levels, they will make appropriate decreases in the rate paid on certificates. Such decreases are to be announced in the *Federal Register* in accordance with regulations. The CCC officials also stated that discontinuance of this program is consistent with the fiscal objectives and policies of the Administration.

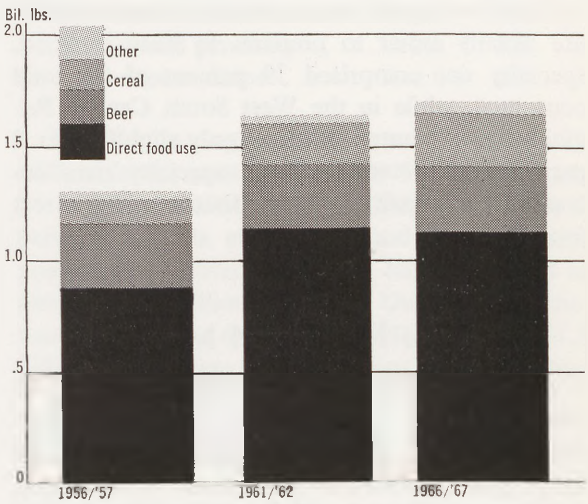
Milled Rice Distribution

Production of rough rice jumped from 3.9 billion pounds in 1950 to over 10.5 billion pounds in 1967. Although a large amount of this national increase was exported after milling, it also represented a sharp rise in domestic use and a bigger job for processors, marketers, and distributors.

The Economic Research Service recently conducted a survey of mills and repackagers to obtain information on the patterns of rice distribution in the United States. The survey covered the marketing year from August 1, 1966, through July 31, 1967. Mills generally were located in or near rice production areas (mills in New Orleans and San Francisco were exceptions), while repackagers were generally closer to consuming centers.

Rice distributed for direct food use in the United States amounted to 1.1 billion pounds in 1966-67, accounting for 64 percent of all rice distributed domestically. Most of this rice was distributed directly from rice millers to wholesale, retail, and institutional outlets. The remainder reached consumers through repackagers and Government programs.

U.S. MILLED RICE USE



SOURCE: U.S. Department of Agriculture.

Food processors took in another 17 percent of the rice milled, or about 296 million pounds, which was used mostly for the production of cereal. Smaller amounts ended up in canned rice, baby foods, and soups. Breweries accounted for the rest of rice use—just over 300 million pounds.

The total amount of milled rice distributed in 1966-67 was up 65 million pounds from 1961-62. Of this increase, 60 percent went into cereal, 21 percent to other processed foods, and 19 percent to breweries. The Middle Atlantic, Pacific, West South Central, and South Atlantic Regions received 78 percent of all the rice shipped in 1966-67. They rank as the top four regions in per-capita distribution of rice. Three states alone — New York, California, and Louisiana — accounted for over 35 percent of the total. Vermont and Wyoming ranked last, receiving less than a tenth of a percent each.

Slightly over half the rice that went for direct food use (excluding Government programs) was shipped in packages of 5 pounds or less. Another 20 percent went out in packages ranging from 5 to 25 pounds. The larger size packages generally were transported to areas where people eat the most rice. The top five states in per-capita rice distribution marketed 60 percent of their rice in packages weighing over 5 pounds.

Specialty rices were most popular in regions where rice was not a traditional staple. The ERS says that parboiled, precooked, or otherwise specialized varieties may have more appeal to people who are not regular rice eaters since these varieties are usually easier to prepare. In New England, specialty rice comprised 39 percent of the total consumed, while in the West South Central Region — rice country — it was only slightly over 8 percent. On a national basis, specialty rices accounted for a sixth of the rice distributed for direct food use.

The Munificent Man

At the turn of the century, the average farm worker in the United States produced enough food, fiber, and tobacco for himself and six other people. In 1968 the figure increased to 43 people, including the farmer and 5 people living in foreign countries.

According to the Economic Research Service, gains in farm productivity have been particularly marked in recent decades. From 1900 to 1940, the number of people supplied by one farm worker gained only 54 percent. The next 20-year span saw the number more than double. Moreover, a 64-percent increase has already occurred during the first 7 years of the current decade.

Helping farmers achieve these impressive gains in on-farm productivity are the many workers in the farm input or marketing industries. Every farm worker is now backed up by more than two nonfarm employees located at both ends of the food, fiber, and tobacco pipeline.

Cotton Production

(In thousands of bales)

Area	1967	1968	1969[1]
Arizona	454	733	720
Louisiana	428	545	485
New Mexico	157	177	210
Oklahoma	194	264	300
Texas	2,767	3,525	3,750
Total	4,000	5,244	5,465

[1] August 1 estimates.
SOURCE: U.S. Department of Agriculture.

Farmer's Share

Of every consumer dollar spent for U.S. farm foods in retail stores in 1968, an average of 39 cents went to farmers, reports the Economic Research Service. All farm products need various amounts of processing and packaging, transportation, and other marketing services. The cost of performing these services amounted to approximately three-fifths of the consumer's retail food dollar last year.

Farmers received only about a fifth of the consumer's dollar spent for bakery and cereal products and fruits and vegetables in 1968. These foods incur high processing, packaging, and distribution costs; consequently, farmers receive less of the dollar spent for these products. On the other hand, more than half the consumer's retail dollar spent for poultry and eggs and other animal products went to farmers in 1968, because the cost of farm inputs was higher relative to marketing costs.

Slight changes have occurred in the share that producers of particular products get. Between 1957-59 and 1968, the farmer's share of the consumer's dairy dollar and fruit-and-vegetable dollar went up, while the farmer's share of the dollar from other major food groups declined. Changes in the farmer's share reflect changes in marketing costs and prices received by farmers.

Marketing costs for the total market basket of farm foods and prices received by farmers have changed by roughly the same percentage during the past decade. Thus, the farmer's share of the consumer's food dollar averaged the same in 1968 as it did back in 1957-59.