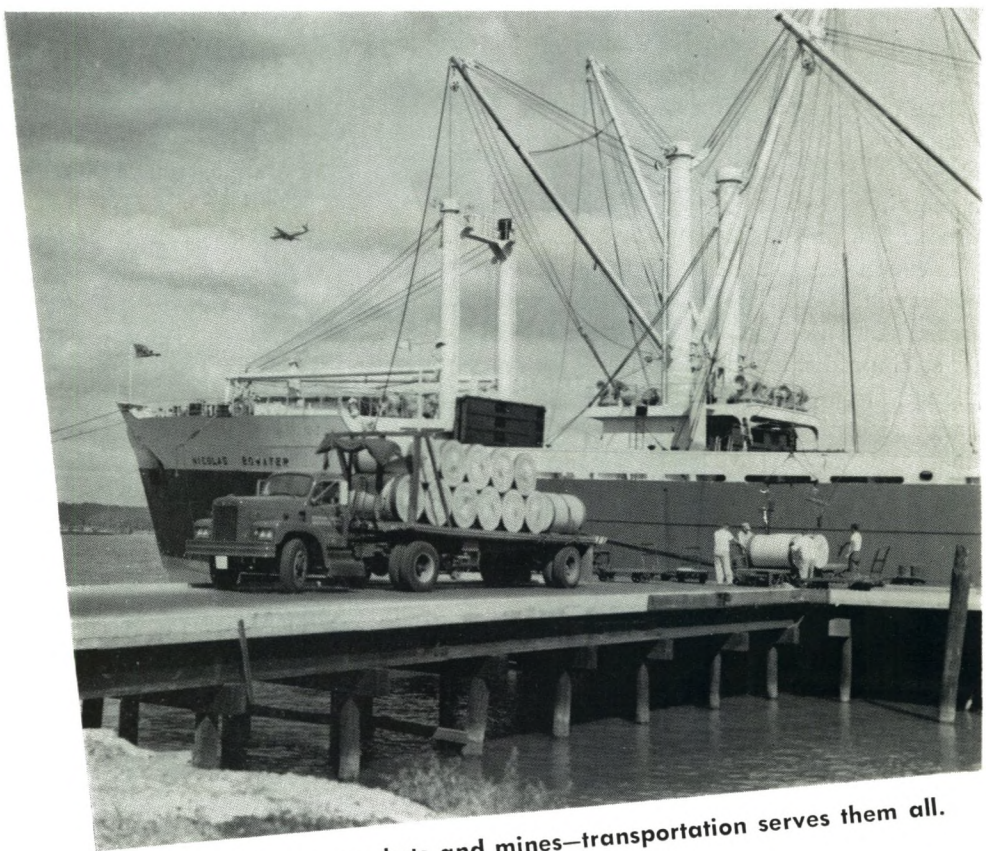
MONTHLY REVIEW



Factories, farms, markets and mines—transportation serves them all.

FEDERAL RESERVE BANK OF RICHMOND JANUARY 1960

FIFTH DISTRICT 1959

The year 1959 was a prosperous one for most Fifth District businesses. Economic stability and strength held up very well against four months of reduced activity and general uncertainty occasioned by the steel strike. The business expansion which originated in 1958 and gained strength in the first half of 1959 lost momentum as the effects of the strike permeated the economy. Manhours (seasonally adjusted) in all sectors of durable goods manufacturing turned downward within a month or two following the cessation of steel production. As far as employment in the District was concerned, the effects of the strike were most evident in durable goods manufacturing, mining, transportation and construction. The resumption of steel production, however, put new life into the upward swing. The vigor which was present or anticipated earlier in the year gained impetus in most markets, particularly textiles and furniture. Some industries closely tied to steel were obviously handicapped by lags in specialized finished products. In the closing months, however, production in general was rising in response to the pull of the markets.

The thought is frequently expressed and in various ways that the present is the product of the past and nurtures the seeds of the future. Outlines of industrial diversification and growth are revealed in the chronology of economic events. A knowledge of these outlines helps to provide the perspective needed to interpret current developments. The following brief consideration of the patterns of business activity in the District and of the trends which are gradually changing these patterns will give added meaning to the events of 1959.

EMPLOYMENT

In the Fifth District during 1959 nonagricultural jobs numbered approximately 4,450,000 on an average monthly basis. Major sources of nonfarm employment in the District are presented in the following table:

Industry Groups	% Distribution Nonfarm Employment
Total nonagricultural	100.0
Total nonmanufacturing	69.1
Total manufacturing	30.9
Nondurables	19.5
Durables	11.0
Nonmanufacturing:	
Government	20.3
Trade	19.2
Service and miscellaneous	10.7
Transportation, communication and public utilities	7.2
Contract construction	5.9
Finance, insurance and real estate	3.8
Mining	2.0
Selected manufacturing:	
Textile mill products	8.8
Food and kindred products	2.8
Apparel, etc.	2.3
Chemicals	2.1
Primary metals	1.6
Furniture	1.5
Stone, clay and glass	1.2
Tobacco manufacturing	1.0
Fabricated metals	0.8

DISTRICT TRENDS

The employment records of the last decade reveal the pattern of District industrial development both in size and diversification. The individual changes which compose this pattern frequently have profound effects in the localities where the specific developments occur, and make their proportionate contribution to the general economic growth and strength of the District and the nation. The net effects of these changes are, however, very gradual when observed through the medium of aggregate statistics. In the Fifth District from 1949 to the present time nonagricultural employment has been increasing at an average annual rate of about 1.6% per year, resulting in an increase over the ten-year period of approximately 20%. (Revisions in the nonagricultural series on which these ten-year comparisons are based may alter comparability to some slight degree.) During these ten years agricultural employment in the District has been declining at an average rate of about 4% per year. Mining employment reached its highest postwar level, 169,000, in 1948. The figure fell to about 99,000 in 1954, increased by

some 10,000 between 1954 and 1957, but dropped again to about 88,000 in 1959.

Percentage changes in employment for the principal industries and industry groups in the District which were below the rate of growth set by the nonagricultural industries as a group during the decade of the 1950's are presented in the following tabulation:

	% Change in Employment 1949-1959
Nondurable goods	+13
Textile mill products	− 1
Chemicals	+14
Tobacco manufacturing	+ 3
Stone, clay and glass	+10
Transportation, communication and public utilities	+ 4
Mining	−43

Major industries and industry groups in which employment grew faster than total District nonagricultural employment during the 1950's are as follows:

	% Change in Employment 1949-1959
Durable goods	+27
Food and kindred products	+38
Apparel, etc.	+55
Primary metals	+25
Furniture	+43
Government	+30
Service and miscellaneous	+30
Contract construction	+34
Finance, insurance and real estate	+55

All of the more important sectors of the District economy except agriculture, mining and textile manufacturing expanded between 1949 and 1959. Trade and fabricated metals increased just about in proportion to total nonfarm employment. The nondurable group of manufactures showed generally lower than average increments of growth. Textiles and tobacco in particular held this group down while the food and apparel industries made impressive gains. Durable manufactures characteristically increased employment by more than the nonagricultural 20% between 1949 and 1959, with furniture leading the way among principal District industries in this category. The nonmanufacturing categories were also high on the list, with finance, insurance and real estate posting the biggest relative increase.

Reliance on employment statistics for indications of economic progress, however, has important limitations. New and highly productive equipment in agriculture, mining and textiles, for instance, has enabled these industries to greatly increase output per man-hour and per employee.

DURABLES

District durable goods manufacturing rolled up steady gains right through the first half of 1959. The impact of the steel strike then sent man-hours worked in durable goods industries into three successive months of decline, down 3.8%, 7.4%, and 8.0% below the June peak in July, August and September, respectively. Activity in durables began to recover in October and gained significantly in November, but through the fourth quarter remained about 2% below second quarter levels. At the end of the year durable goods production measured in seasonally adjusted man-hours stood between 4% and 5% above 1958. Machinery in particular came back strong, reattaining the year's earlier high level and bettering the performance of a year earlier by about 15% in the electrical and 30% in the nonelectrical classifications. Transportation equipment and fabricated metals, still reflecting the steel strike late in the year, were below both their 1959 high levels, and their closing 1958 figures. Primary metals ended the year 7% below the May high, but about 5% above 1958.

The furniture industry had an especially significant year, the best in its history in the opinion of some. Indications for the entire southern furniture industry are that late in the year production was setting all-time records, bringing total output for the year to a level about 14% above 1956, the industry's last good year. New orders and unfilled orders for furniture were also indicated to be at all-time high levels, as much as one-third and four-fifths higher than the comparable 1958 figures respectively.

The lumber industry during 1959 showed moderate strength, holding at levels about equal to or a little above 1958. Toward the end of the year hardwoods strengthened noticeably and 1959 production of southern pine was reported to be 11% above the comparable 1958 figure.

NONDURABLES

During 1959 the District's nondurable goods industries displayed generally healthy characteris-

tics, and demonstrated their naturally greater stability under changing economic conditions as compared with durables. Productive activity measured in seasonally adjusted man-hours expanded at an average rate of about 1% per month during the first half of 1959. The June level exceeded the 1958 average monthly figure by more than 7%. Then strike-related contractions in particular industries sent nondurable goods manufacturing into a gradual decline. The October level was slightly more than 2% below the June high. The November aggregate man-hours figure for this group was very slightly above the October level. Available evidence shows that the year ended at just about that level—2% below the June peak, but more than 2% above the end of 1958.

In some respects the year bordered on the phenomenal for the textile industry. A rising demand for most fabrics began to develop about the middle of the year. Print cloths led the way, piling up an order backlog which by the end of the year nearly equaled anticipated production for the first three quarters of 1960. Knit goods and synthetics also exhibited unusually strong demand. Only in the case of industrial fabrics did any degree of sluggishness characterize a significant portion of the demand picture. Lagging demand for industrial cloth plus the industry's generally circumspect response to its unaccustomed prosperity apparently accounts for the fact that productive activity measured in seasonally adjusted man-hours was at year's end 4% below the year's peak in July, and only about 3% above comparable 1958 levels.

All categories of nondurable manufactures finished the year with productive activity near record levels or setting new ones. Only the food and tobacco manufacturers were below their respective year-ago levels. The apparel industry, one of the fastest growing in the District over the past decade, finished 1959 with a level of productive activity about 6% above the previous year. Chemicals finished 5% ahead of 1958.

CONSTRUCTION

The value of construction contract awards in the Fifth District in 1959 reached an all-time high, exceeding $2.8 billion, which was 6% above the previous high set in 1958. A brief hesitation in the upward trend in construction late in 1958 was followed by a second phase of accelerated activity early in 1959. Following a peak in April, award values moved downward through the month of August. The year ended with volume again on the rise. Construction activity is not just another source of employment, but is a mark of a dynamic economy, utilizing savings and credit facilities to expand capacity and employment in all growing industries. The growth in construction activity, therefore, is good evidence that the Fifth District is moving forward.

Nonresidential building contract awards accounted for a major portion of the increase in construction activity between 1958 and 1959, but residential construction also rose impressively. The third category, public works and utilities, declined, but gains in the first two were more than enough to offset this. Nonresidential contract award values in 1959 were 23% greater than in 1958. Residential was up 11%. Public works and utilities dropped 22%. As the year 1959 drew to a close, nonresidential construction activity as measured by the value of contract awards was continuing to gain strength, residential construction was slipping slightly, and public works and utilities were beginning to look more promising.

MINING

The average daily rate of bituminous coal output in the Fifth District for the first six months of 1959 was about one-fifth below the level set in 1957, District coal's best year since 1948. The hopes for moderate gains over 1958 which were justified on the basis of this beginning were destined for disappointment as later events unfolded. A warning was sounded as early as February when West Germany advocated a custom's duty of nearly $5 per ton on coal imports. The accumulative surpluses of European coal and fuel oil, and surpluses of fuel oil in the eastern United States had serious effects. Overseas shipments through District ports in 1959 were about one-third below the previous year. In recent years coal exports have accounted for about one-fourth of District production.

The 116-day strike in the steel mills, however, was the prime domestic reason for coal's failure to better its 1958 performance. Before the strike added its confusing influences to the picture the only domestic coal users who increased their consumption as compared to 1958 were electric utilities and steel and coke producers.

TRADE

Fifth District trade got off to a strong start in 1959 with rising sales during the entire first half of the year, a leveling off at midyear and a moderate decline in the fall. The year ended with the sales curve again on the rise.

District department store sales adjusted for normal seasonal variations reached their peak in July and August. Seasonally adjusted sales in each month except March and September exceeded the 1958 average monthly figure. This made 1959 the best department store sales year on record.

Furniture stores in the Fifth District had a very good year in 1959, with sales just about equal to the level established in 1956, the best furniture sales year on record. The year began with January sales (adjusted for normal seasonal variations) nearly 5% above the 1958 average monthly rate. Sales equaled or exceeded the average monthly level for 1956 through the month of August, but finished out the year slightly lower.

Information available on the independent stores of the Fifth District suggests that their sales increased by about 9% in 1959 over 1958. Substantially better than average gains apparently occurred in sales of automotive establishments, drug and proprietary stores, and combination furniture and household appliance stores. Building material and hardware stores showed lesser gains than the above but still better than average. Food stores and miscellaneous retail stores showed sales declines in 1959 compared with 1958. The decline in food store sales, however, was due largely to the drop in food prices.

AGRICULTURE

Productive activity on Fifth District farms increased during 1959, with more crop acreage planted and more livestock raised than in 1958. A midsummer drought and rain during the harvest reduced yields and quality of major fall crops. On balance, District production of wheat, oats, barley, cotton, and sweet potatoes increased, while production of hay, tobacco, peanuts, and Irish potatoes was lower than in 1958.

With soybeans, Irish potatoes and hay as the main exceptions, crops sold for lower prices than in 1958. Reductions in the prices of cotton, peanuts, and corn could be traced to lower levels of government price supports. The lower prices about balanced out the increases in production, so that total cash receipts from sale of crops was about the same as in 1958.

Farmers raised more livestock in 1959, but a substantial drop in prices reduced livestock income by about 7% below the 1958 level. By December, hog prices were 33% under a year earlier. Cattle, broiler, and egg prices were also lower. Milk prices held steady and were the only major exception to the price reductions.

Cash receipts in 1959 from District crops and livestock combined were about 3% lower than in 1958. North Carolina receipts from tobacco, hogs, and broilers were down sharply. Government Soil Bank payments in the District were reduced to about one-third of their 1958 total. Farm production expenses increased by about 3% The result of these events was a drop in the net income of Fifth District farmers of about 15%, or $170 million.

FINANCE

The rapid expansion in economic activity last year greatly intensified pressures on District member banks. During the first half of the year loans soared upward at near-record rates. Such heavy loan demands coupled with Federal Reserve efforts to prevent inflation made funds hard to obtain, and banks scrambled for money by liquidating marketable Government securities on a declining market. As pressures intensified, borrowings at the discount window of the Federal Reserve rose to the highest level in years.

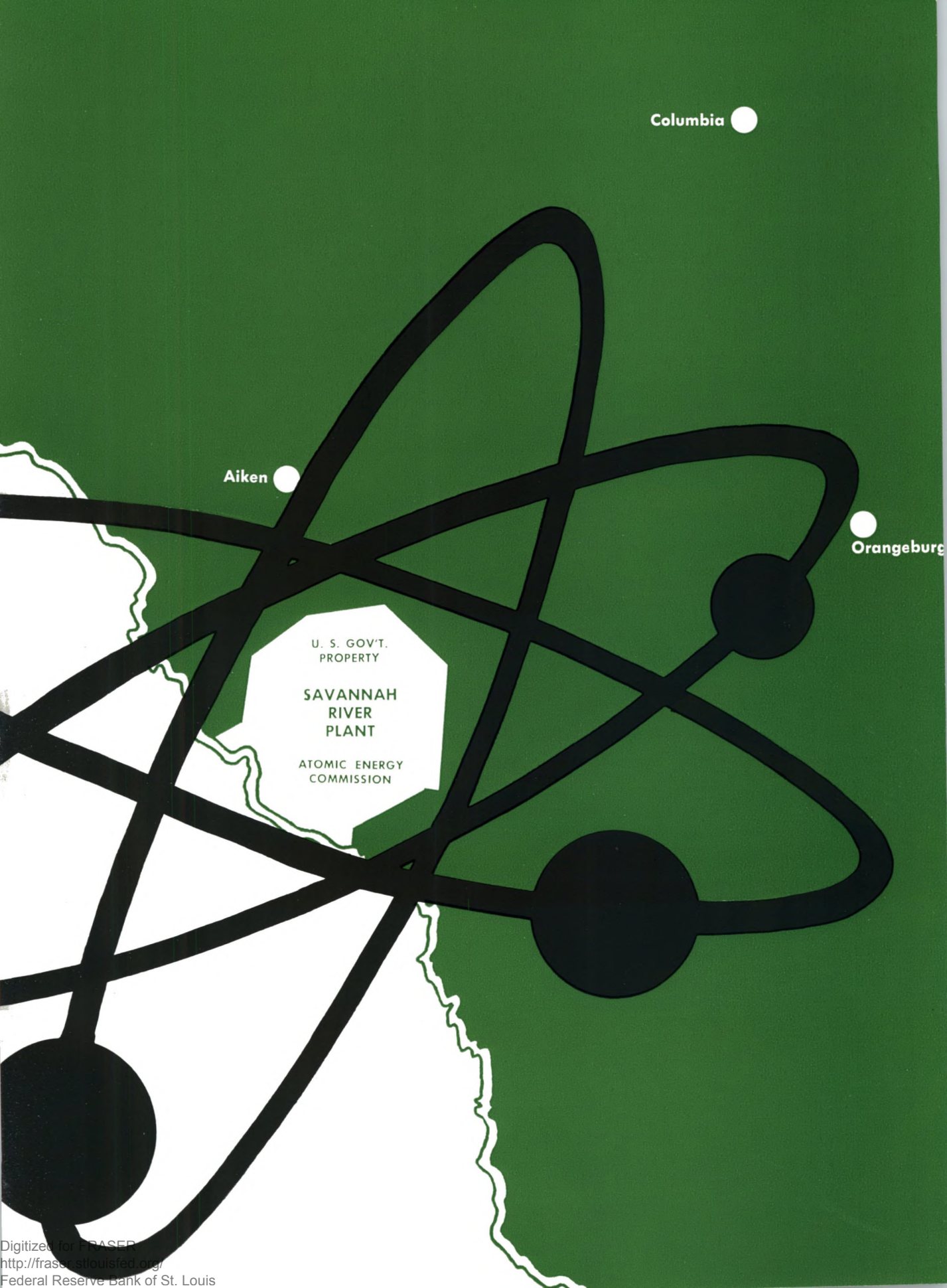
Pressures on banks eased somewhat as the effects of the steel strike spread through the economy. Loan demand slackened in most areas, and banks reduced their borrowings from the Federal Reserve to about normal seasonal levels. They continued to liquidate investments but less rapidly than during the first half of the year.

As economic activity began to recover following the steel injunction, loans rebounded seasonally, too. When the year ended, loans had risen percentagewise by more than during any year since 1955, and investments had been cut back even faster than in 1955. Borrowings at the discount window were running somewhat above the usual seasonal rate.

MONTHLY REVIEW looks at . . .

THE SAVANNAH RIVER PLANT

Stretched out along the banks of the Savannah River lies one of the nation's largest atomic energy plants. This is the 200,000 acre Savannah River Plant of the Atomic Energy Commission, one of the seven major AEC facilities for the production of special nuclear material. Among all AEC facilities, the $1.3 billion plant is second only to Oak Ridge in dollar investment in plant and equipment. Construction of the major part of the Savannah River Plant took four years and a peak construction force of 38,000 workers, making it one of the largest construction projects ever undertaken. The plant was built by E. I. du Pont de Nemours and Company, which now operates it for the AEC. Within the plant are five production reactors, a heavy water plant, and a new test reactor now under construction. As part of the national defense system the plant's main purpose is to manufacture plutonium for use in nuclear weapons, but it also performs a number of peacetime functions. These include the production of heavy water to be used in nuclear reactors, the irradiation of cobalt to be used in the treatment of cancer, and the study of the preservation of food by irradiation. The plant is important, however, not only to the nation's security and well-being, but as an employer of 7,500 persons with an annual payroll of $58 million, it is also of vital economic significance to the surrounding communities.



a thumbnail sketch . . .

The Industrial Production Index

On tonight's program the newscaster quoted the value of last month's industrial production index just announced by its compiler, the Federal Reserve Board. This evening's paper gave an eminent economist's business forecast for 1960 which included an estimate of the industrial production index for the end of this year.

What do these figures mean to you—a businessman in today's complex economic setting? Why is this particular economic indicator watched so closely? Can the over-all index or its components help you in your shop? To answer these questions, you should know primarily what this statistical tool is designed to measure, how it is compiled, and its limitations as well as its usefulness.

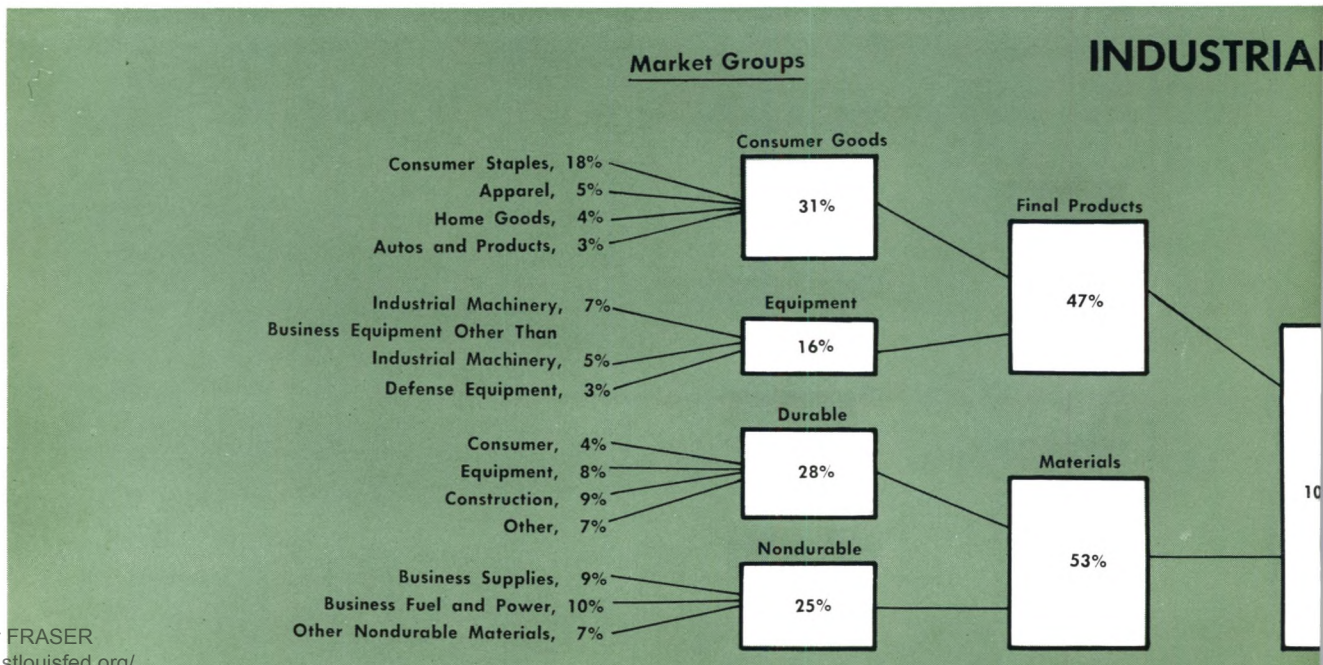
A MEASURE OF ECONOMIC GROWTH As its title implies, the industrial production index measures changes in physical output in the industrial sector of the economy—manufacturing, gas and electric utilities, and mining. Excluded are agriculture, construction, wholesale and retail trade, foreign trade, finance, transportation, and the service trades. Strictly speaking, therefore, this index does not measure general business activity. The industries covered by the index, however, produce a little over one-third of the value of the total production of goods and services in the United States.

The industrial production index is an important tool in economic analysis not only because it represents a substantial proportion of the total output of the country but because the area of the economy that it covers is the part most sensitive to changes in over-all demand. Minerals, products of the manufacturers, and utility output are used by all other sectors of the economy. Thus this index is used as one barometer of over-all business activity.

It is popular also because of its ready availability—published monthly with a lag of about 15 days. In contrast, the measure of the value of all goods and services produced in the economy—the Gross National Product—is estimated quarterly.

SPECIFIC COVERAGE To compute the monthly industrial production index, 207 statistical series are used. Some of these basic series represent quantity of production; some are in terms of shipments, materials consumed, or in man-hours. Where necessary, adjustments are made in order that the figures represent physical volume of output in all cases and are free of price influences.

These 207 individual series are classified in two separate ways: by industry groups as designated in the U. S. Budget Bureau's 1957 *Standard Industrial Classification Manual,* and by market groups, showing either type of product use or class of purchaser. The individual series are combined into industry or market subgroups, which, in turn, are grouped into major industry or major market subdivisions. This build-up from the small indus-



trial sectors in the economy to major summary groupings is diagrammed below. In addition to these breakdowns, other smaller subdivisions and other combinations are also published as separate indexes in the *Federal Reserve Bulletin*.

To combine the various individual series or groups, a method known as "weighting" is used; each component series is assigned a weight or a value representing its relative importance to the total during some period of time. The weights used in the industrial production indexes represent the value added to the product by the process of manufacturing. These relationships for 1957 are used in the current indexes and are shown in the chart. The 1957 weight period, one factor of the recent revision of the index, was used for indexes back to January 1953. The current weights and those used in indexes prior to 1953—based on 1947 relationships—are published beside the index value for most groupings.

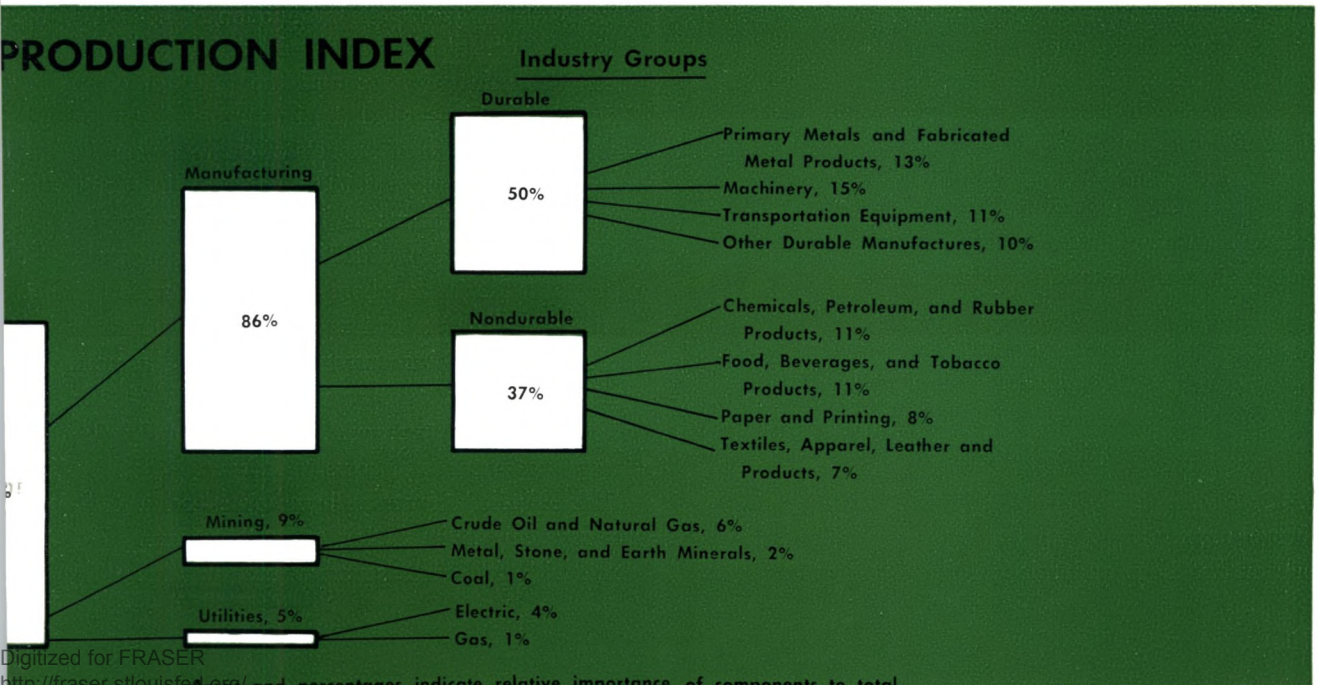
TWO BASE PERIODS To make comparisons over time, index numbers are computed in relation to some reference or base period which is given the value of 100. The industrial production indexes are compared with two base periods: the monthly average for the three-year period, 1947-49, as 100 and the 1957 monthly average as 100. The 1957 average, adopted recently, is the only base for the detailed indexes now published. The total and major groupings, however, also are being carried on the 1947-49=100 base to facilitate comparison with other economic indexes published on this base.

PAST AND FUTURE INDEXES Since its introduction in 1920, the index has undergone many improvements in coverage and technique. Results of the last major reworking were just released last month. Complete descriptions of the estimating procedures, data sources, and the statistical results have been published by the Board of Governors of the Federal Reserve System.

The main features of the 1959 revision included: a broadening of coverage by adding utility output; a change in definitions of some industry groupings; the addition of the supplementary classification by market groupings; an updating of the weight and the base periods; improvements in estimating procedures for some series; revision of seasonal adjustment factors; and adjustment of many of the series to the levels shown by the 1954 censuses and other recent benchmarks.

The result of the revision was an upward shift in level. Only one-third of the difference between the revised and the old indexes was caused by the addition of utility output. The remainder of the difference was due to improvements in measuring industries previously included. This points out the difficulty of fitting monthly series into an overall measurement of growth and the need for checking monthly series against more comprehensive data. Indexes for recent years, therefore, will be reviewed as other benchmark data become available.

Every effort is exerted to make these monthly indexes representative of the physical output of the industrial sector of the economy. Used with related series on prices, inventories and sales, industrial production indexes aid in interpreting general economic and specific industry developments.



More "Little" Pigs Go To Market

Have you enjoyed pork chops for dinner recently? Perhaps you ate bacon or sausage for breakfast this morning. Or maybe you were treated to a delightfully flavored baked ham or pork roast dinner during the Christmas holidays. Whatever the form of pork, chances are—if you are a Fifth District resident—it was produced and processed in the District, for hogs have become an important enterprise in many sections of this five-state area.

District farmers' cash income from the sale of hogs totaled $122 million in 1958 and accounted for $6 of every $100 of total cash farm income. Back in the early thirties when hog numbers, marketings, and prices were substantially lower, cash receipts from hogs amounted to only $11 million and contributed just $3 to each $100 of total farm income.

Roughly two-thirds of all farmers in the District have been raising hogs since 1940. The number of farmers producing them for sale, however, increased 25% in the 15-year period between 1940 and 1954. And by 1954 one-third of all farmers who were raising hogs were producing at least some of them for market. By comparison, only one-fifth of all District hog producers raised porkers for sale in 1940.

The District's meat packing and processing industry is also important to the economy and assures a home market for our home-grown pork and beef. As late as 1954, the most recent year for which detailed data are available, there were 255 meat packing and prepared meat plants in this five-state area. These firms employed close to 13,000 men and women and had an annual payroll of more than $41 million.

HOG ENTERPRISE GROWS Hogs were a side line on most farms for many years. Farmers kept one or two hogs and raised a few pigs primarily for home use. Sometimes they'd sell a few country-style cured hams and shoulders for extra money.

Production of hogs today is generally on a much bigger scale. As managerial know-how has increased, individual herds have grown bigger. Hogs and pigs by the fifties and hundreds are now the rule on many farms. Some farmers specialize in keeping brood sows and raising feeder pigs—pigs which they sell at weights of 40 to 100 pounds, sometimes 120 pounds. Others specialize in fattening feeder pigs to top market weight of 180 to 240 pounds.

Growth of the hog business in the District has trended upward since the early thirties, and in 1959 the pig crop was four-fifths larger than the average crop in those earlier years. Greatest expansion—more than a twofold increase—has occurred in North Carolina, now the nation's eleventh largest hog producing state. And for 15 years the District's farmers have been growing 1 of every 20 hogs grown in the nation.

Through the years, the production of hogs has reflected farmers' response to the relationship between the price of hogs and the price of corn. This relationship—called the hog-corn price ratio—states the number of bushels of corn that can be bought with the price of 100 pounds of live hogs. To individual farmers it is a rough gauge of whether it is more profitable to sell corn as grain or to use it for feeding hogs. When the ratio has been above average, farmers have usually increased the number of sows farrowing during the next farrowing season. Following periods when the ratio was below average, they've generally decreased the number of sows to farrow.

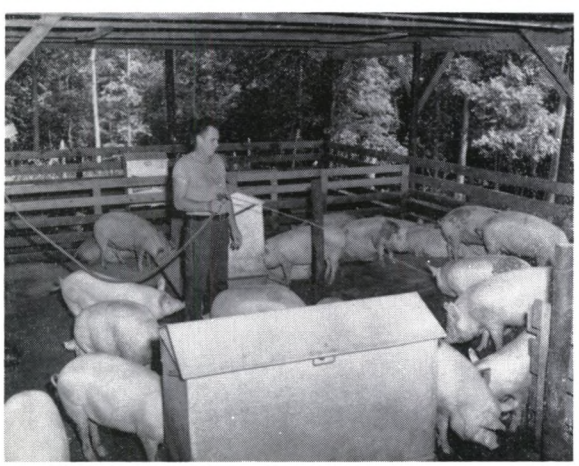
The District's farmers have practiced a two-crop system of farrowing over the years. Favored with much less severe winter weather than

many other sections of the country, they've been able to raise fall crops of pigs that were almost as large as the spring crops. Yearly farrowings have not increased as much as the growth of the annual pig crops would imply, however. By paying more attention to the care and management of their hogs, farmers have not only gradually increased the number of pigs saved per litter but they've also greatly reduced the death losses over and above those the first few days after farrowing. More and more, the successful hog producer has found that it pays to give those little pigs a chance to make hogs of themselves.

MARKETINGS INCREASE As farmers began to find that hogs were an excellent source of income, they not only started raising more pigs each year but they also began to send more "little" pigs to market. Marketings turned upward after the Great Depression, rose sharply during World War II, and have increased another 60% since. Today the average number of hogs marketed each year is five times larger than the average annual number sold during the early thirties. The District's farmers now sell more than two and one-fourth times as many hogs as they butcher on the farm for home use or for sale as meat.

This is in sharp contrast to the depression years when farmers butchered nearly four times as many hogs as they sold. Slaughter by farmers continued large, and except for the war years, 1943 and 1944, marketings of hogs have exceeded farm slaughter only since 1948. Butchering hogs on the farm trended gradually upward through the early forties, in fact. A definite downward trend has occurred since, and farm slaughter has dropped more than 40%.

Farmers find it profitable to raise hogs in "pig parlors" because the hogs gain faster and require a minimum of labor.



PIGS IN PARLORS Yes, many pigs in this area, particularly in eastern Virginia and the Carolinas, have been raised in parlors—"pig parlors," that is—in the past few years. These parlor-reared pigs really lead a life of luxury. Housed in shed-type, concrete-floored buildings, all they do is eat, drink, sleep, and put on weight.

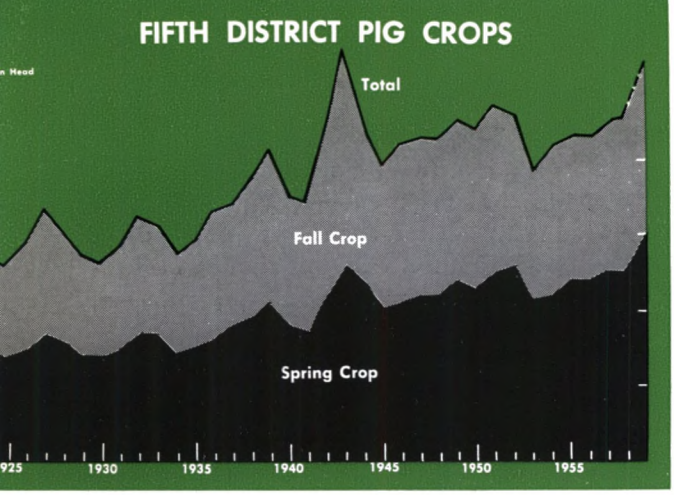
The parlors are equipped with automatic waterers, self-feeders, and spray-mist shower baths which keep the pigs cool and comfortable on hot days. Being comfortable, they're inclined to eat more often. And what sanitation! The concrete floors are easily kept clean by frequent flushing with a hose. There's no muddy pigpen nor hog wallow for these pigs.

Why the trend toward the confined raising of pigs on concrete? Basically, it's a matter of being able to get more pigs to market in a shorter period of time. Its numerous labor-saving features also appeal to many farmers.

Some of the growth in the number of pig parlors is tied in with hog-feeding contracts. Under these contracts, the farmer builds the pig parlor and supplies the labor and the automatic feeding and watering equipment. The contracting firm, frequently a feed dealer, furnishes the feeder pigs, feed, veterinary expenses, management and marketing know-how. Usually, terms of the contracts specify either a profit-sharing arrangement or guarantee the farmer a fixed payment per pound of market weight or per pound of gain.

MEATIER HOGS Mr. and Mrs. Average Consumer have shown a growing preference for lean cuts of pork for many years. They've also eaten less pork per person since World War II, and since shortly after the war they've spent a smaller

The District's meat packing and processing plants are important to the economy and provide markets for home-grown hogs.



Hog production has trended upward since the early thirties and is now four-fifths larger than in those earlier years.

proportion of each dollar of income for pork and more for beef. These indications, say authorities, point to an urgent need for a meatier type of hog. Consumers, they believe, would probably eat more pork if they were assured of a tastier, leaner type of meat.

To help meet the consumer's growing demand for better pork chops, a growing number of the District's hog farmers have begun to produce more long, lean, meat-type hogs within the past few years. And they're selling them for better prices, too. Virginia farmers, for example, found that only about two-fifths of the hogs graded by the state's Department of Agriculture rated U. S. No. 1 during the last eight months of 1957. (Hogs with this grade yield heavier cured hams, have a thinner backfat thickness, and also much less fat trim and cure loss on hams than do lower grades of hogs.) In the first seven months of 1958, more than three-fifths of the marketed hogs received this grade. This improvement in grade early in 1958 brought Virginia hog producers an additional $27,000. They also received added income by selling considerably more U. S. No. 2 hogs and fewer No. 3's.

To encourage production of meat-type hogs, at least one of the District's major meat packing plants has started a "merit-buying" plan to pay farmers higher prices for quality hogs. The new system takes into account the percentage of the four chief lean cuts—the loins, hams, picnic shoulders, and Boston butts—that can be obtained from hogs. Here's how it works: An average hog is considered to yield 33% in the four main cuts. For each 1% increase in lean-cut yield over this base figure, the farmer is paid 25 cents more per hundred pounds. Similarly, for every 1% yield below the base percentage, he receives 25 cents less per hundredweight.

WHY THE EXPANSION Many factors have contributed to the growth of the hog business within the District. A major stimulus has been the cut in tobacco, cotton, and peanut allotments. Unable to plant as many acres in "money crops" as they once did, many farmers turned to the production of feed grains. As they planted larger acreages and learned to obtain higher yields per acre, they often found it more profitable to market their home-grown feed as live hogs rather than as grain.

Over the years, more farmers have become aware of the need for better balanced farming. Hogs, they've found, can be raised on relatively small acreages. Many farms are too small to develop efficient herds of dairy or beef cattle. Compared to most other livestock, raising hogs requires a relatively low capital investment. And it takes much less time to realize profits from a hog enterprise. Not to be overlooked as a factor in the expansion are the ready markets provided by the many auction markets and packer-owned country buying stations.

CURRENT SITUATION AND OUTLOOK District farmers raised 13% more pigs in 1959 than a year earlier. The spring crop of porkers—providing today's pork dinner—was 20% larger than in the spring of 1958; last fall's production—this spring's pork roast—was 6% above the year before. The nation's total 1959 pig crop was 8% larger than 1958's. In both the District and the nation the 1959 crop was the biggest since the record 1943 crop.

More pigs usually mean more hogs for slaughter. True to form, hog slaughter rose sharply in 1959, and it is expected to continue somewhat above a year ago through the first half of 1960. Prices of hogs fell substantially as marketings increased and in the fall of 1959 averaged about 30% below a year earlier.

Hog prices will probably continue near present levels during the winter and spring, say specialists of the U. S. Department of Agriculture. They believe that prices in the fall and winter of 1960-61 will strengthen, however, since the nation's 1960 spring pig crop is currently expected to be 11% smaller than last spring's.

PHOTO CREDITS

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