[redacted] Reserve Bank of Chicago - -

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HOG SLAUGHTER in recent months has been running well above the indicated 9 per cent increase in the spring pig crop. Since mid-October slaughter has averaged over 15 per cent above year-earlier and prices have averaged about 30 per cent lower.

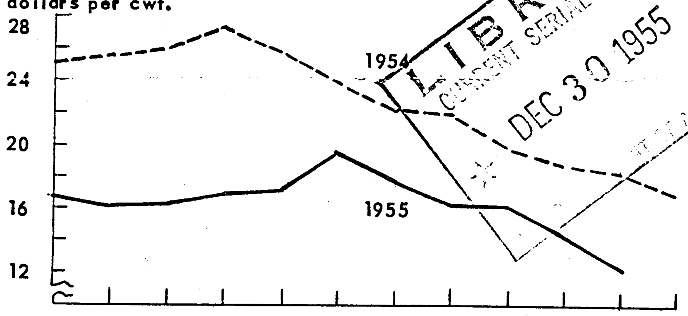
One reason cited for the increase in slaughter is the earlier marketings of hogs this fall and winter than last year. Average weights of hogs marketed in November were 224 pounds compared with 231 pounds a year ago. And it is estimated that the average age of hogs sold from Iowa farms in October was 6.4 months compared with 6.5 months last year. These small differences, however, suggest that the faster rate of marketings probably does not account for any substantial part of the increase.

Furthermore, a review of the pattern of spring farrowings does not provide a satisfactory explanation for the increase. Virtually all of the increase in the spring pig crop was reported to be due to early farrowings, and hence most observers had expected slaughter during the last four months of 1956 to be, at the outside, only 7 per cent larger than a year ago.

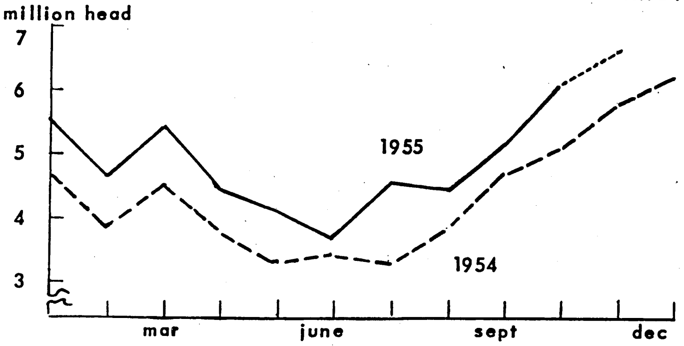
The peak in marketings last year was reached during early December. Some traders have hazarded the guess that last week's record slaughter was the high point this year and that the "worst may be past."

After the seasonal peak in marketings is past, there is usually a winter price recovery. Prices of barrows and gilts at Chicago normally rise about 8 per cent between December and February. But market analysts

PRICE OF BARROWS AND GILTS AT CHICAGO
dollars per cwt.



HOGS SLAUGHTERED AT FEDERALLY INSPECTED MARKETS
million head



who are inclined to explain the substantial increase in slaughter by earlier marketings are now wondering if the way has been cleared for a more than normal winter price rise.

Any rise is not expected to carry prices above those of last winter as the fall pig crop is estimated to be 11 per cent larger than that of a year earlier. And pigs from the fall crop will begin to be marketed in substantial numbers in the weeks ahead.

The hog-corn price ratio at Chicago in recent weeks has fluctuated around 9, compared with about 12 a year earlier. Hog prices continued to decline while some seasonal strength in the corn market raised the price of No. 3 corn from around $1.15 in mid-November to over $1.25.

The narrow ratio will help to deter expansion in the 1956 spring pig crop. Nevertheless, some observers expect the spring crop to be larger, primarily because of plentiful feed supplies and generally low feed prices outside the western Corn Belt. Secretary Benson recently warned the country's hog producers that it would be desirable to hold down the production of pigs next spring so as to prevent a further price decline. The USDA report on farmers' intentions for spring farrowings will be released December 22 and will provide a clearer picture of the prospects.

SHIPMENTS OF FEEDER CATTLE into Corn Belt states during the July-October period were 3 per cent smaller than those of a year earlier. While inshipments trailed year-earlier levels during the opening months of the seasonal movement, by October they were running slightly larger. And judging from the volume of shipments from public markets, it appears that total inshipments may have continued to outdistance their year-earlier levels during November.

Whereas last fall farmers bought lightweight cattle and calves in large numbers, this year interest has been relatively greater in the heavier weight feeders. Many of the lighter weight cattle bought a year ago were on farms for 12 months or more and have been sold at the low prices of recent months whereas many cattle purchased for short feeding were generally quite profitable. This experience probably accounts in part for the shift in kinds and weights of cattle purchased for feeding.

Research Department