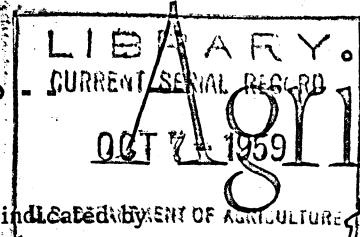


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Federal Reserve Bank of Chicago

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Agricultural Letter



Number 527

MORE SURPLUSES of feed grains are indicated by two recent reports. Just when expanding feed consumption seemed to be catching up to feed grain production, production has taken another jump. In the latest estimate, total output of feed grains, oilseed meal and by-product feeds is placed 5 per cent above last year's record. Then the September pig crop report indicates hog producers are cutting back farrowings, thus slowing the rate of expansion in livestock production.

As a result, the carry-over of feed grains a year from now promises to show a gain of 12 million tons from the present figure. This would be the largest year-to-year increase since 1948-49, and that followed an abnormally low carry-over in 1948. Total carry-over stocks next year could be 80 million tons compared with 20 million tons in 1952. Of the expected 68 million ton carry-over in 1959, 58 million will likely be owned or under loan to the Commodity Credit Corporation, having been accumulated under Government price support programs. Apparently, another substantial increase in Government stocks can be expected in the coming year.

The indicated cutbacks in breeding intentions are in the western Corn Belt states. In the December-February period, farrowing intentions in Minnesota are 22 per cent below last year and in Nebraska and Kansas 12 and 11 per cent lower. Farmers in the eastern Corn Belt states indicated little or no change in intentions.

The corn crop is expected to be larger in all of these states, except South Dakota, and thus would not be considered a factor in reducing farrowings. Perhaps the most obvious factor has been sharply lower hog prices. In contrast to a usual seasonal rise in July, prices of barrows and gilts at eight Midwest markets declined this July to an average of \$14.40, 38 per cent below the \$23.12 a year earlier. This experience has undoubtedly proved highly disappointing to many hog producers. Also, the exceptionally severe weather last winter may have been a stern teacher to those who first experimented with earlier farrowing this year.

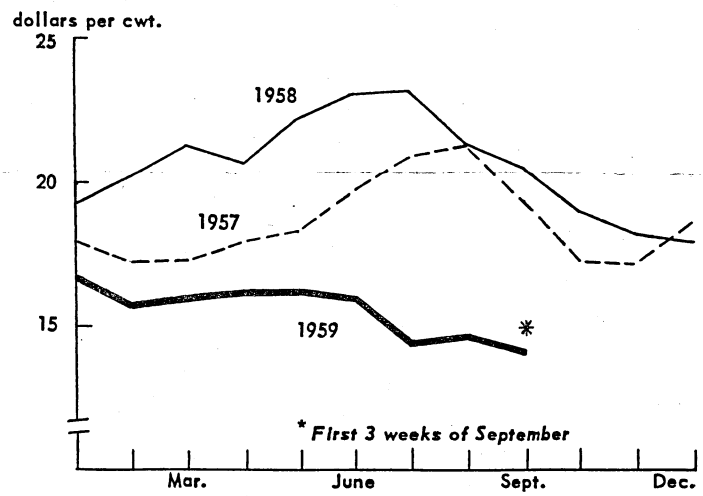
Feed Grains
(million tons)

	Production ^{1/}	Utilization ^{2/}	Change in carry-over	Total carry-over (end of crop year) ^{3/}	Under loan or owned by CCC
1951	140.6	149.1	-8.5	20.1	9.0
1952	147.0	140.1	+6.9	27.0	16.6
1953	145.5	140.8	+4.7	31.7	22.6
1954	150.1	142.7	+7.4	39.1	29.7
1955	157.8	153.6	+4.2	43.3	34.7
1956	157.1	151.5	+5.6	48.9	40.8
1957	171.4	161.2	+10.2	59.1	49.5
1958 ^{4/}	187.0	178.1	+8.9	68.0	58.0
1959 ^{4/}	195.4	183.4	+12.0	80.0	

1/ Including imports.
2/ Including exports, adjusted to crop year basis.
3/ Corn and sorghum grain, October 1; oats and barley, July 1.
4/ Preliminary forecast.

A POSSIBLE CUTBACK IN FARROWINGS of 4 per cent in the December-February period is indicated by the September pig crop survey in ten Corn Belt states. Farrowings in these months are included in the 1960 spring crop. Revisions also occurred in farmers' plans for the fall pig crop. Farrowings in June-August, the first half of the fall period, were 4 per cent above the year-earlier level, almost as high as had been indicated in a survey made in June. However, in the September-November half of the period, the number of sows intended for farrowing is now indicated to be 5 per cent more than last year, compared with earlier estimates of 8 per cent.

HOG PRICES
average of barrows and gilts, 8 Midwest markets



But the current price of hogs and the large supply and prospective price of corn would indicate further increases in hog production next spring, based upon past experience. Hence, the indicated turnabout in farrowing intentions for the December-February period may not signal the end of the current upswing in hog production, but merely reflect a return toward a more normal seasonal farrowing pattern after several years of earlier farrowings. The prospects are uncertain, to say the least.

FARM BUSINESS CONDITIONS

August 1959, with comparisons

ITEMS	1959		1958
	August	July	August
PRICES:			
Received by farmers (1947 - 49 = 100)	88	88	92
Paid by farmers (1947 - 49 = 100)	119	119	117
Parity price ratio (1910 - 14 = 100)	80	81	85
Wholesale, all commodities (1947 - 49 = 100)	119	120	119
Paid by consumers (1947 - 49 = 100)	125	125	124
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.92	1.90	1.83
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.28	1.28	1.36
Oats, No. 2 white, Chicago (dol. per bu.) .....	.70	.71	.65
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.15	2.23	2.27
Hogs, barrows and gilts, Chicago (dol. per cwt.)	14.58	14.38	21.39
Beef steers, choice grade, Chicago (dol. per cwt.)	27.56	27.89	26.11
Milk, wholesale, U.S. (dol. per cwt.)	4.10	3.90	4.05
Butterfat, local markets, U.S. (dol. per lb.) .....	.59	.58	.58
Chickens, local markets, U.S. (dol. per lb.) .....	.15	.15	.17
Eggs, local markets, U.S. (dol. per doz.) .....	.31	.30	.38
Milk cows, U.S. (dol. per head)	236	235	212
Farm labor, U.S. (dol. per week without board)	--	46.75	42.75 ^a
Factory labor, U.S. (dol. earned per week)	88.70	89.87	84.35
PRODUCTION:			
Industrial, physical volume (1947 - 49 = 100)	149	153	136
Farm marketings, physical volume (1947 - 49 = 100)	139	121	127
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.) ...	381	384	362
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	--	35	36
EMPLOYMENT:			
Farm (millions)	6.4	6.8	6.6
Nonagricultural (millions)	60.9	60.8	58.7
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	102.8	103.4	104.8
Nonagricultural banks (1955 monthly average = 100)	104.0	104.6	102.9
Time deposits:			
Agricultural banks (1955 monthly average = 100)	129.3	128.6	121.6
Nonagricultural banks (1955 monthly average = 100)	125.6	125.5	122.7
¹ Based on estimated monthly income.			
^a July			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago