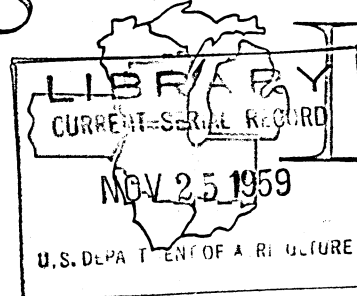


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Federal Reserve Bank of Chicago - -

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Agricultural Letter



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The farmer's share of the consumer's food dollar was 38 cents in the July-September period, 1 cent below the preceding three months and 2 cents below the year-earlier share. This was the lowest quarterly average farmer's share since before World War II.

Farmers' prices were 7 per cent below last year in the third quarter due largely to lower farm prices for hogs, eggs and chickens. Retail prices of farm food products, however, were down only 2 per cent from last year. Of course, even if retail prices changed the same number of cents as farm prices, the percentage change would still be smaller. However, marketing changes in the third quarter were about 1 per cent above the same period last year and made the change in retail food prices smaller than the change in farm prices. Higher wage rates of workers in food marketing firms and increases in prices of machinery and equipment, motor trucks, fuels and power are largely responsible for the higher marketing costs.

In looking ahead for next year, the U. S. Department of Agriculture predicts a possible further decline in the farmer's share of the consumer's retail food dollar, though the decline is likely to be less than 1 cent. Lower farm prices are anticipated for farm food products. While retail prices of farm food products may average somewhat below 1959, an anticipated small increase in marketing charges may keep the retail price decline smaller than the decline in farm prices.

Pork prices have declined this year, reflecting lower hog prices. However, the effects of larger supplies have varied for different cuts at the meat counter. Some cuts have a lower consumer preference and therefore must be discounted more heavily to dispose of larger supplies. Prices for other cuts are influenced heavily

by supplies of other competing meats.

The cost of hogs at Chicago in September was \$13.84 per hundredweight, 33 per cent below year earlier. Retail prices for bacon in September were 65 cents a pound, down 21 per cent from last year. Pork chops, on the other hand, declined only 5 per cent and ham, 9 per cent - both prices being supported in part by continued high beef prices.

The product most affected by larger supplies this year has been lard. This week the price of lard at Chicago was just over 8 cents per pound, compared with more than 12 cents the same time last year. Lard, of course, has strong competition from large supplies of other fats and oils. Soybean processors have been producing oil at high rates, and a substantial increase in the cotton crop this year will bring abundant supplies of cottonseed oil.

The margin between the wholesale value of hog products and the price of hogs at Chicago has widened during the latter part of 1959 and in October was \$2.51 per hundred pounds compared with \$1.76 in January. This can be attributed in part to strikes at some of the major packing firms, though in 1955 the margin also widened as hog prices declined.

	Hog Prices 1/			Slaughter		Consumer Prices 3/								
			per cent change	Margin 2/		Bacon			Ham			Pork Chops		
	1958	1959		1958	1959	1958	1959	per cent change	1958	1959	per cent change	1958	1959	per cent change
	(per hundred pounds)					(per pound)								
January	\$19.69	\$17.38	-12	\$1.84	\$1.76	.76	.72	- 5	\$.66	\$.68	+ 2	\$.88	\$.89	+ 1
February	20.54	16.15	-21	1.77	1.94	.77	.69	-10	.67	.65	- 2	.89	.85	- 4
March	21.54	16.44	-24	1.57	1.52	.77	.68	-13	.68	.64	- 7	.90	.82	- 9
April	21.20	16.73	-21	1.88	1.74	.80	.68	-14	.69	.63	- 8	.91	.84	- 8
May	23.05	16.94	-27	1.05	1.49	.80	.69	-14	.68	.63	- 8	.91	.86	- 6
June	23.68	16.88	-29	1.22	1.53	.82	.69	-16	.69	.63	- 9	.96	.87	- 9
July	23.52	14.90	-37	1.38	1.89	.85	.68	-20	.69	.62	-10	.97	.88	- 9
August	21.44	14.67	-32	1.73	1.85	.86	.67	-23	.69	.60	-13	.95	.85	-10
September	20.60	13.84	-33	1.82	2.57	.83	.66	-21	.66	.61	- 9	.94	.89	- 5
October	19.32	13.19	-32	1.76	2.51	.79			.66			.92		
November	18.87			2.15		.74			.66			.91		
December	18.72			1.57		.73			.68			.89		

1/ Mean of daily quotations on U. S. No. 1, 2 and 3 hogs, 200-220 pounds at Chicago.
 2/ Difference between wholesale product value and live hog prices at Chicago.
 3/ Midmonth average prices reported by Bureau of Labor Statistics.