281.9
F313

Federal Reserve Bank of Chicago - - Agricultural Letter

June 24, 1960

Number 564

LIBRARY
CURRENT SERIAL RECORD
JUL 11 1960
U.S. DEPARTMENT OF AGRICULTURE

THE HOG CYCLE is on the threshold of an upswing in production. Corn Belt producers, according to the U. S. Department of Agriculture, intend to increase the number of sows farrowing during the last half of the fall period, September through November, by 2 per cent compared with the year-earlier period. This would make the downswing in the current hog cycle one of the shortest on record.

In addition, the downswing has been rather sharp. The spring pig crop is now estimated to be 16 per cent below last year. Bad weather during the winter reduced the number of pigs to 6.95 per litter compared with 7.07 last year and brought a larger decline than the 15 per cent cutback in sows farrowing.

The pattern of the current downswing started with a very small reduction in sows farrowing last October and November, the first reduction in a year and a half. Then farrowings during the first half of the 1960 spring pig crop, December through February, were down 18 per cent. However, farrowings during the last half of the spring pig crop, March through May, were down only 13 per cent and, during the first half of the fall pig crop, June through August, are indicated to be only 6 per cent below last year.

Hog producers will have considerable incentive to expand production. Hog prices will be at relatively high levels this summer and fall. In view of the trend in farrowings, next spring's pig crop could be a good deal larger than this spring. If this pattern of production were followed, hog prices in the spring of 1961 would be about the same as in the spring of 1959 and 1960 but would trend downward for the remainder of 1961. Of course this projection assumes only a small decline in beef prices. However, a more likely prospect would be for an upswing in cattle marketings during 1961 which would bring severe competition for hog producers.

Regionally the largest reduction in sows farrowing this spring was in the western Corn Belt, down 25 per cent in Nebraska, 30 per cent in South Dakota and 18 per cent in Minnesota. Iowa farmers reported a decline of 15 per cent, equal to the national average, while reductions of 11 and 8 per cent were reported in Illinois and Indiana, respectively. On the other hand, farmers in the western Corn Belt states plan the largest boost in the last part of the fall pig crop. Typically the greatest fluctuations in hog production have come in these states.

MANAGEMENT continues to be a key factor in the success of farms or other businesses. A bit of new evidence to this effect is reported for a rural development project in northeastern Minnesota. The twelve dairy farmers who actively participated for the entire five-year period were able to increase their earnings an average of more than 75 per cent, from $3,000 in 1954 to nearly $5,300 in 1958. This was accomplished without any significant increase in acreage per farm and only a modest increase in capital investment, $19,000 to $23,000. The primary reasons for the higher income were improvement in quantity and quality of feed produced on the farms, increased production per farm—from 120,000 to 210,000 pounds—and a larger number of cows per farm, from 16 to 23. An important factor was the availability of a market for Grade A milk.

However, some of the other farmers who began this program sharply curtailed their farming activities during the five-year span. Better opportunities at nonfarm work and the lack of a Grade A market for their milk, which limited their farm income potential, account, in part, for these dairymen's reductions in farm operation.

Research Department