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Federal Reserve Bank of Chicago - -

November 25, 1960

THE ANNUAL OUTLOOK CONFERENCE of the U. S. Department of Agriculture was held last week. In general, there were few changes in the agricultural picture from earlier expectations. Some of the highlights of the conference were as follows:

The national economy leveled off during 1960 after advancing from the recession of 1957-58. While some easing has been noted in recent months, there is a rough balance between expansionary and contractionary forces which will continue into 1961. As the year progresses, however, an uptrend in economic activity is expected.

Consumer disposable income has continued to increase despite some declines in employment and hours worked per week. In 1960 consumer demand for farm products has been strong, reflecting the higher income levels. Even with an expected leveling of income for the first part of 1961 consumer demand is expected to be well maintained.

Farm income in 1960 has shown an upward trend in contrast to the downward trend of last year and may possibly exceed that of 1959. A year ago the expectation was for a continuation of the decline in farm income from 1958, though at a slower rate. The upward change has been due in part to another year of record-breaking crop production, a rapid downturn in hog production and consequent improvement in prices and incomes, and a leveling of farm production expenses. Cash receipts from farm marketings in the first three quarters of 1960 have been at an annual rate of \$33.5 billion, slightly above last year's \$33.3 billion total. Realized net farm income in the first nine months has been at an annual rate of \$11.4 billion, about the same as last year, but income in the fourth quarter is expected to substantially exceed the depressed level of a year ago.

Hog prices this fall have been more than \$4 per hundredweight higher than last fall and promise to remain above year-earlier through the first part of 1961. However, hog production is apparently responding quickly to the favorable hog-corn ratio and abundant feed supplies. Corn Belt farmers are planning a 4 per cent larger pig crop in December, January and February than in the same period a year earlier. This decline of only one year marks the quickest turnabout in hog production on record. Hog prices next year will probably average close to 1960 but may fall below current prices in the closing months of 1961.

Cattle and calf prices are expected to decline next year by about the same amount as this year, with greater downward pressure at the end of the year. Lower grades of slaughter animals will show the greatest price weakness.

Slaughter of cattle and calves in 1961 will be about 10 per cent larger than 1960 and will push total red meat



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production to a new high. Even with larger slaughter of cows and calves, the inventory of cattle numbers is expected to continue upward, though at a slower rate. The USDA estimates cattle numbers may have to be revised downward as completed tabulation from the Census of Agriculture become available. It was noted that this would not change the immediate outlook for cattle, but might mean a somewhat more moderate increase in slaughter and smaller decline in prices than previously anticipated as the present cattle cycle progresses.

Feed grain production reached a new high this year as exceptionally late frosts permitted most of the late corn and grain sorghum fields to mature. With a record carry-over and a lower support price on corn, feed grain prices are expected to average a little lower than in the past year.

Soybean prices are expected to show more than the usual seasonal rise this year as prospective supply and demand appear to be in close balance. Production is estimated to be 4 per cent above last year and only 3 per cent below the record two years ago. However, expanding exports and high consumption of soybean meal for livestock feeding have cut carry-over stocks sharply. In view of this decline in stocks, the U. S. Department of Agriculture has suggested the need for an expansion in soybean acreage and production in the coming year. A favorable price relationship next spring between soybeans and the corn support price will likely encourage an expansion in soybean acreage.

Dairy prices will be above the year-earlier levels through March 1961 and will likely continue above during the remainder of the year, though the Government support price to be announced before next April will be an important determinant. Farm cash receipts from sales of dairy products are likely to increase slightly next year to another record. However, total costs for producing milk have been rising and may keep net incomes of dairymen from reaching a new record high. Production in 1961 will likely increase more than in 1960 as the favorable milk-feed price ratio will encourage further increases in production per cow, and lower beef prices will likely slow the decline in the number of dairy cattle on farms.

Research Department

FARM BUSINESS CONDITIONS

October 1960, with comparisons

I T E M S	1960		1959
	October	September	October
PRICES:			
Received by farmers (1947 - 49 = 100)	89	87	87
Paid by farmers (1947 - 49 = 100)	119	119	118
Parity price ratio (1910 - 14 = 100)	81	80	79
Wholesale, all commodities (1947 - 9 = 100)	119	119	119
Paid by consumers (1947 - 49 = 100)	--	127	126
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.97	1.93	1.96
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.10	1.17	1.15
Oats, No. 2 white, Chicago (dol. per bu.) .....	.65	.66	.74
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.12	2.15	2.14
Hogs, barrows and gilts, Chicago (dol. per cwt.)	17.60	16.67	13.07
Beef steers, choice grade, Chicago (dol. per cwt.)	24.94	24.80	27.19
Milk, wholesale, U.S. (dol. per cwt.)	4.59	4.42	4.57
Butterfat, local markets, U.S. (dol. per lb.) .....	.60	.60	.60
Chickens, local markets, U.S. (dol. per lb.) .....	.15	.15	.14
Eggs, local markets, U.S. (dol. per doz.) .....	.43	.39	.32
Milk cows, U.S. (dol. per head)	215	218	228
Farm labor, U.S. (dol. per week without board)	43.75	--	42.00
Factory labor, U.S. (dol. earned per week)	91.48	90.85	89.06
PRODUCTION:			
Industrial, physical volume (1947 - 49 = 100)	162	162	155
Farm marketings, physical volume (1947 - 49 = 100)	190	157	171
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.) ...	410	409	384
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	--	33	31
EMPLOYMENT:			
Farm (millions)	6.3	6.6	6.1
Nonagricultural (millions)	61.2	61.2	60.7
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	104.4	100.9	105.2
Nonagricultural banks (1955 monthly average = 100)	104.7	104.0	103.9
Time deposits:			
Agricultural banks (1955 monthly average = 100)	135.7	135.3	129.9
Nonagricultural banks (1955 monthly average = 100)	133.3	133.0	125.6
¹ Based on estimated monthly income.			

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