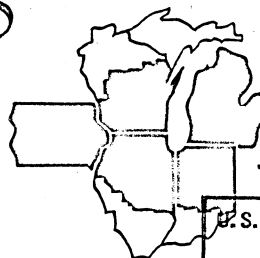


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July 28, 1961

Agricultural Letter



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FEEDER CATTLE SHIPMENTS into Corn Belt states during June were 9 per cent below the same month last year. This is the second month in which inshipments were below the year-earlier level and reflects the effects of the sharp decline in prices of fat cattle during the spring. The greatest reduction was in Illinois, down 40 per cent from last year. Increases were reported in the western Corn Belt states of Iowa, South Dakota and Nebraska.

COSTS of hog production have been presented in a recent series of studies at Purdue University. A hundred pounds of hogs produced on farms with 50 or more sows farrowing twice a year cost \$2 less than on those with less than 25 sows. The large-scale producers had an average of 59 sows, almost four times the average of 16 for the small producers.

Nearly half the saving was achieved through lower feed costs. The large hog producers required only 380 pounds of feed per hundred pounds of hogs marketed while the smaller producers used 10 per cent more feed. The remaining cost reduction was about evenly divided between lower expenses for buildings, machinery and equipment and a smaller amount of labor.

While size of the operation is an important element in reducing costs of hog production, apparently the management skill of the farmer and that unknown factor "luck" have even more important roles in achieving efficiency. The most efficient group of small producers had costs \$1.45 a hundred pounds below the average of the largest producers and the least efficient large producers had costs \$.33 above the average of the small

producers. Most of the variation in costs was due to variations in the feed required to produce a hundred pounds of hogs, which largely reflects the amount of death loss and size of litter. The best third of all producers had 8 pigs raised per litter while the poorest third had an average of only 5.6 pigs, and the difference in cost between these groups was more than \$3 per hundred pounds.

Large-scale production of hogs clearly produces economies through reductions in overhead costs and labor time. If improvements in disease control, better feeding practices, etc., can reduce the variability of costs, the small hog producer will be under considerable economic pressure from the lower production costs of the larger producers. However, until alternative uses are developed for the labor and capital of the small scale producer, hog production will continue to be an essential source of his income. Furthermore, greater efficiency in small operations can achieve substantial savings and reduce costs close to those obtainable through large-scale production.

Research Department

Cost of Producing Hogs, Central Indiana, 1956 and 1957
(per hundred pounds)

	Number of sows farrowing twice a year								
	Most efficient			Over-all average			Least efficient		
	Under 25	25-49	50 and over	Under 25	25-49	50 and over	Under 25	25-49	50 and over
Number of farms	10	10	3	52	53	13	10	10	3
Sows per farm	16.5	34.5	53.8	15.8	33.6	59.3	15.5	30.9	58.2
Feed per cwt. (lbs.)	300	315	282	418	406	380	536	526	457
Direct costs									
Feed ¹	\$ 7.64	\$ 7.94	\$ 7.18	\$10.64	\$10.34	\$ 9.70	\$13.65	\$13.43	\$11.65
Miscellaneous .....	.83	.79	.79	.86	.91	.82	.74	.96	.96
Total	8.47	8.73	7.97	11.50	11.25	10.52	14.39	14.39	12.61
Fixed costs									
Buildings, machinery, equipment	1.97	1.79	1.88	2.18	1.74	1.61	2.55	2.41	1.70
Interest (at 6 per cent) .....	.39	.42	.46	.44	.44	.44	.46	.48	.44
Total	2.36	2.21	2.34	2.62	2.18	2.05	3.01	2.89	2.14
Total costs except labor ...	10.83	10.94	10.31	14.12	13.43	12.57	17.40	17.28	14.75
Labor cost (\$1 per hour) ...	1.01	.90	.52	1.18	.85	.72	1.30	.96	.88
Total costs	11.84	11.84	10.83	15.30	14.28	13.29	18.70	18.24	15.63

¹ Corn used was charged at \$1.21 per bushel, 35 per cent protein equivalent at \$5.00 per cwt. Total cost was \$2.55 per cwt.

FARM BUSINESS CONDITIONS

June 1961, with comparisons

ITEMS	1961		1960
	June	May	June
PRICES:			
Received by farmers (1947 - 49 = 100)	86	87	87
Paid by farmers (1947 - 49 = 100)	120	121	120
Parity price ratio (1910 - 14 = 100)	78	78	79
Wholesale, all commodities (1947 - 49 = 100)	118	119	120
Paid by consumers (1947 - 49 = 100)	128	127	127
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.89	1.88	1.91
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.14	1.15	1.22
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.69	.70	.76
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.73	3.10	2.15
Hogs, barrows and gilts, Chicago (dol. per cwt.)	16.74	16.57	16.89
Beef steers, choice grade, Chicago (dol. per cwt.)	22.45	23.43	26.04
Milk, wholesale, U.S. (dol. per cwt.)	3.88	3.92	3.80
Butterfat, local markets, U.S. (dol. per lb.) . . . . .	.60	.60	.59
Chickens, local markets, U.S. (dol. per lb.) . . . . .	.13	.14	.17
Eggs, local markets, U.S. (dol. per doz.) . . . . .	.31	.32	.32
Milk cows, U.S. (dol. per head)	228	224	224
Farm labor, U.S. (dol. per week without board)	--	46.25 ^a	45.75 ^a
Factory labor, U.S. (dol. earned per week)	94.24	92.90	91.60
PRODUCTION:			
Industrial, physical volume (1947 - 49 = 100)	167	164	166
Farm marketings, physical volume (1947 - 49 = 100)	110	106	106
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.) . . .	417	413	404
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	--	37	36
EMPLOYMENT:			
Farm (millions)	6.7	5.6	6.9
Nonagricultural (millions)	62.0	61.2	61.7
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	99.5	98.6	98.0
Nonagricultural banks (1955 monthly average = 100)	102.2	102.7	103.3
Time deposits:			
Agricultural banks (1955 monthly average = 100)	142.8	141.9	133.1
Nonagricultural banks (1955 monthly average = 100)	146.1	145.1	129.4
¹ Based on estimated monthly income.			
^a April			

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