

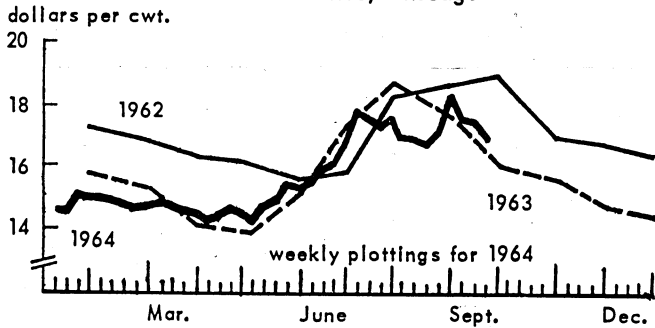
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Federal Reserve Bank of Chicago - -

October 2, 1964

Hog prices are likely to continue to average above year-earlier levels well into 1965. The U. S. Department of Agriculture's September survey in 10 Corn Belt states showed significant declines in the number of pigs born during spring and summer months and indicated that farmers intended to farrow fewer sows than a year earlier during the fall and winter months. The Corn Belt survey usually provides a fairly reliable guide to the probable size of the pig crop inasmuch as nearly three-fourths of the nation's hogs are produced in this region.

HOG PRICES
Barrows and Gilts, Chicago



The number of pigs born on Corn Belt farms from March through May dropped 8 per cent from the year-earlier level and this decline was matched by the reduction in number of pigs born during the June through August period. Furthermore, those sows bred and intended to farrow during the fall months (September-November) are estimated 5 per cent below a year ago. Farmers also plan fewer farrowings during the winter months—down 13 per cent from a year earlier.

The cutback in both actual and prospective farrowings apparently reflects, in part, the relatively low ratio of hog-corn prices that prevailed throughout most of this year. While hog prices have improved seasonally they have remained below year-earlier levels until only recently; corn prices from January through August 1964 averaged about 2 per cent above the year-earlier level. Consequently, during the first eight months of this year the hog-corn ratio averaged about 13 or slightly below last year's average of 13.7 for the corresponding months and the lowest during that period since the highly unfavorable year of 1959.

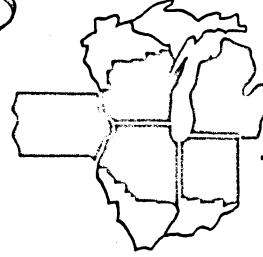
The impact of the reduction in corn production expected for the 1964 crop, together with the likelihood of relatively high corn prices in the coming winter and spring, has probably also been a restraining influence on farmers' production plans. Livestock production tends to respond to the supply as well as prices of feed grains. Many farmers apparently have planned for some time to reduce their livestock operation in 1964 and 1965. About 4 per cent more acreage was retired under the feed grain program in 1964 than in 1963. The indicated yields per acre this year may reinforce this trend.

Prices of barrows and gilts at Chicago have improved seasonally since early May as weekly hog slaugh-

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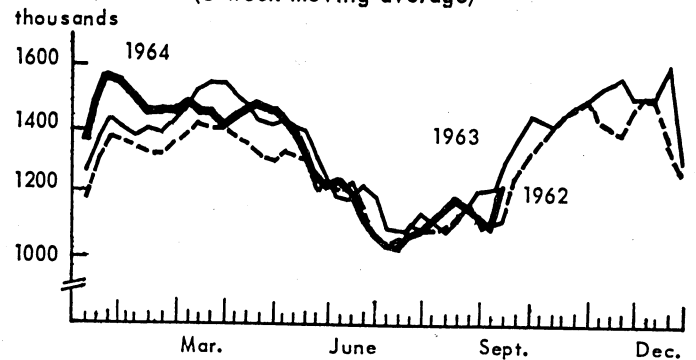


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ter declined but have averaged generally lower than many market observers had projected early this year. In part, this has reflected the continued marketings of hogs at a level close to that of a year earlier. The large volume of pork in cold storage during the summer months and the abundant supplies of other meats, however, have also been important factors limiting the amount of increase in hog prices.

These factors may not be as important during the remainder of the year, however. While the cold storage stock of pork still remains above the year-earlier level, it is by a much smaller margin than earlier. Also, some decline in beef production may occur during the fourth quarter.

FEDERALLY INSPECTED HOG SLAUGHTER
(3-week moving average)



The number of hogs on farms as of September 1 (other than breeding stock) was estimated to be 7 per cent below last year. Declines of 4 per cent or more were noted in each of the weight groups. The bulk of these hogs will be marketed during the next four months, thus indicating below year-earlier marketings during the remainder of this year. The monthly distribution of the fall pig crop (June-November) indicates that marketings are likely to continue to average well below year-earlier levels through the first half of 1965. If farmers' intentions for winter farrowings (December-February) are realized, the reduction in marketings probably would continue into the second half of next year.

Farmers' intentions, of course, can be and often are revised. If intentions are revised upward, however, gilts held back for breeding purposes would reduce marketings, temporarily, even further than now anticipated. Hog prices, therefore, are expected to average well above the relatively low levels experienced during the fall of 1963 and to continue at relatively high levels well into next year.

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