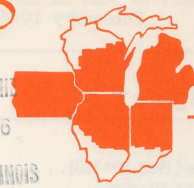


Agricultural Letter



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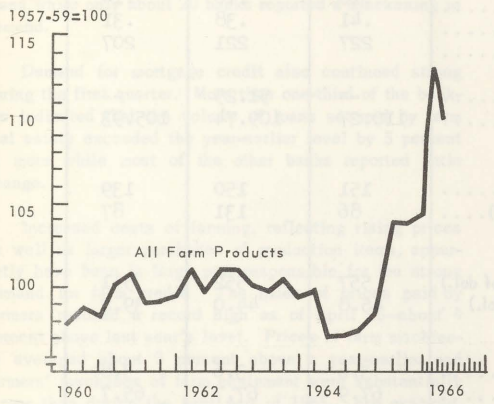
FARM PRICES declined in April, continuing the movement begun in March. The index of prices received by farmers as of mid-April was 110 percent of the 1957-59 average, down about 2 percent from the month-earlier level. The index was still about 9 percent above the year-ago level, however.

The recent downturn in agricultural prices was preceded by a period of rapidly rising prices. In the period between December 1964 (when the index was at the lowest level since 1955) and February of this year, prices of farm products rose 13 percent, to the highest level since the Korean conflict. The depressed level of farm prices in 1964 was in large part attributable to the large supply of meat animals of heavy slaughter weights. As a result of the low livestock prices, farmers cut back on breeding stock and fed fewer animals. This set the stage for the short supplies of livestock in 1965 which, combined with expanded consumer demand, pushed livestock prices to record levels early this year.

below the same period a year ago and for the week ended April 23 exceeded the previous year for the first time since August 1965.

Poultry and egg prices in the month ended April 15 declined from their record high levels in March. The U. S. average broiler prices in April fell to 15.8 cents a pound, following a 21-month period in which United States broiler prices had averaged above the same month a year earlier. During the same period, the average price received for eggs per dozen dropped 8 percent from 41.6 cents in March.

Farm Prices Turn Downward



The decline of farm prices in March and April can be attributed primarily to reversal in the upward trend of prices received for livestock and livestock products. Prices were sharply lower for hogs, cattle and broilers with seasonal declines in dairy products and eggs. Prices of crops have remained relatively stable or increased slightly.

It appears likely that livestock and livestock product prices have passed their peak. Some month-to-month increases in prices may occur during the early summer months in response to seasonally smaller meat supplies, primarily pork, but the margin above year-ago prices is expected to narrow further. Prices for livestock and livestock products are expected to average near or below year-earlier levels during the latter half of the year, reflecting expansion now taking place in production of hogs and broilers.

The March 1 pig crop report indicated that about 7 percent more pigs were farrowed during the December-February period and the number of intended farrowings for the March-May period was 9 percent greater than in the similar period a year ago. These pigs will make up the bulk of marketings during the second half of 1966.

Broiler marketings are expected to remain well above a year ago during the remainder of the year, following increased chick hatchings. Egg settings for chick production in 23 states in the three weeks ended April 23 were 7 percent above the comparable period in 1965.

The number of cattle on feed as of April 1 was 13 percent more than a year earlier. Fed cattle marketings, therefore, are expected to continue above the year-earlier levels well into the summer months.

Hog prices fell sharply during March as a result of increasing pork supply. Although the number of hogs slaughtered has continued below the previous year's level, it has trended rather steadily upward since late December. Also, slaughter weights have averaged above year-earlier levels since the beginning of 1966. Consequently, total pork production has been edging closer to the previous year's level. Pork production in March was 11 percent below the output in March of last year but the first three weeks of April averaged only 6 percent

Recent estimates by the U. S. Department of Agriculture point to "6 percent or so lower (farm product) prices in October-December" compared to the levels reached during the first part of this year. The Department expects little change in food grain or fluid milk prices, but by the end of the year lower prices are anticipated for poultry and eggs—down 15-20 percent; vegetables—20-25 percent; potatoes—10 percent; meat animals—5 percent; fruit, down slightly, and dry beans, down 20 percent.

David W. Maaske
Economist

FARM BUSINESS CONDITIONS
February 1966 with Comparisons

I T E M S	1966		1965
	February	January	February
PRICES:			
Received by farmers (1957-59=100)	113	109	98
Paid by farmers (1957-59=100)	112	112	109
Parity price ratio (1910-14=100)	83	80	75
Wholesale, all commodities (1957-59=100)	105	105	101
Paid by consumers (1957-59=100)	112	111	109
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.71	1.69	1.53
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.31	1.32	1.31
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.78	.78	.74
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.91	2.84	3.03
Hogs, barrows and gilts, Chicago (dol. per cwt.)	27.88	28.21	17.21
Beef steers, choice grade, Chicago (dol. per cwt.)	27.79	26.87	24.02
Milk, wholesale, U. S. (dol. per cwt.)	4.55	4.54	4.29
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.62	.62	.59
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.16	.16	.14
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.41	.38	.31
Milk cows, U. S. (dol. per head)	227	221	207
Farm labor, U. S. (dol. per week without board)	--	51.25	--
Factory labor, U. S. (dol. earned per week)	110.27	109.74	105.93
PRODUCTION:			
Industrial, physical volume (1957-59=100)	151	150	139
Farm marketings, physical volume (1957-59=100)	86	131	87
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	557	552	511
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	45.8	44.0	39.2
EMPLOYMENT:			
Farm (millions)	3.6	3.6	3.8
Nonagricultural (millions)	67.9	67.7	65.7
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	121	124	113
Nonagricultural banks (1957-59=100)	115	115	111
Time deposits:			
Agricultural banks (1957-59=100)	219	217	191
Nonagricultural banks (1957-59=100)	239	236	212

¹ Based on estimated monthly income.