

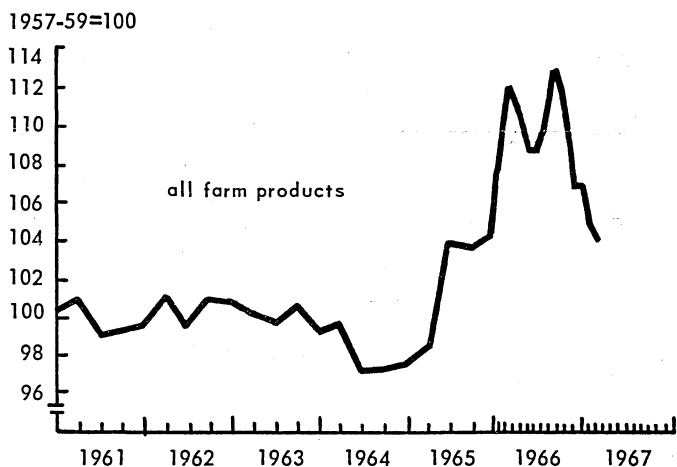
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Federal Reserve Bank of Chicago - -

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PRICES OF AGRICULTURAL commodities have trended sharply downward from the highs posted late last summer, reflecting, in large part, the expanded supply of slaughter livestock and a larger than expected crop harvest. The index of prices received by farmers as of February 15 was down nearly 7 percent from the comparable year-earlier level.

Farm Prices Trend Downward



Although prices of most of the more important Midwest commodities have declined since last summer, nearly all of the decrease from a year ago has been in the livestock sector. Livestock and livestock product prices dropped nearly 9 percent from a year ago with most of the decline coming in meat animals, principally hogs. In response to sharply increased marketings, hog prices averaged only \$18.80 per hundredweight in February—down nearly \$9 from the very high year-ago level. Cattle prices have also declined although less dramatically than hog prices. As of mid-February, prices of beef cattle averaged about \$1 per hundredweight below February last year. Nearly all of the decline, however, was in prices of the higher grades. Choice 900-1,000 pound steer prices at Chicago, for example, averaged less than \$25 per hundredweight during February—more than \$2 under the 1966 level.

Poultry and egg prices are also well under year-earlier levels. While broiler prices have improved in recent weeks, they are still about 5 percent below the year-earlier level. Both egg and turkey prices have continued to decline, dropping 21 and 11 percent, respectively, from February 1966 levels.

The bright spot in the livestock sector has been dairying. Although prices for milk declined seasonally during February, they average about 11 percent higher than a year ago.

Crop prices have moved down from their pre-harvest highs, but prices of many grains are still above those a year ago. Feed grain prices during February averaged about 7 percent higher; corn, the principal feed grain,



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was up about 6 cents per bushel, and the highest February price in several years. Wheat prices were also well above a year ago. Soybeans, however, dropped under the year-earlier price in February.

District Farmers Derive Bulk of Income from Livestock

	Commodity as a proportion of total 1965 cash receipts					
	Ill.	Ind.	Iowa	Mich.	Wisc.	U. S.
	(percent)					
<u>Livestock</u>	52	57	77	54	86	56
Meat animals	43	40	67	18	24	33
Dairy products	6	10	6	29	52	13
Poultry and eggs	2	7	4	6	6	9
Other	*	*	*	1	3	*
<u>Crops</u>	49	43	23	46	15	44
Feed grains	25	19	13	8	4	9
Soybeans	17	15	10	3	*	5
Food grains	3	4	*	5	*	5
Fruits and vegetables	2	2	*	24	8	11
Other	2	3	*	7	2	14
<u>All commodities</u>	100	100	100	100	100	100

*Less than 1 percent.

NOTE: Percent figures may not add due to rounding.

In light of the generally lower prices for many agricultural commodities, farm income during the first quarter is likely to fall far short of that achieved during the first quarter last year. Moreover, because of the predominance of livestock production in the District states, farm income may be down relatively more than for the nation. Well over half of gross farm income in each of the District states is derived from the sale of livestock and livestock products. Iowa farmers receive about two-thirds of their income from meat animals, while the proportion in Indiana and Illinois is nearer two-fifths, compared to about one-third for the nation. Higher prices for dairy products will tend to moderate the decline in some areas, especially in Wisconsin where over half of gross receipts are derived from dairy product sales.

Many observers expect agricultural prices to continue under pressure through much of 1967. Livestock prices are expected to improve somewhat from present levels as slaughter supplies are reduced, but indications point to substantially larger crop output. If the expected expansion in crop production materializes, it would likely result in lower grain prices during the second half of 1967.

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