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Agricultural Letter



Number 1033

HOGS AND PIGS on farms as of September 1 in the ten Corn Belt states were estimated at 46 million head—5 percent fewer than a year earlier, according to a recent Department of Agriculture survey. This confirms the sharp drop in the spring farrowings revealed in an earlier survey taken at mid-year, the accuracy of which was doubted by many observers because of the very favorable returns to hog producers over the past several months. At that time, farmers were expected to expand hog production during the second half of 1969; however, the most recent estimates indicate that farmers have continued to reduce farrowings through the summer months and have plans to hold farrowings below last year from September through November.

Farmers Curtail Farrowings

	Summer farrowings (June-Aug.)	Fall farrowings (Sept.-Nov.)	Winter farrowings (Dec.-Feb.)
	<i>(percent change from a year earlier)</i>		
Illinois	-5	-3	+1
Indiana	-8	-2	-
Iowa	-4	-4	+1
Wisconsin	+3	+10	+8
10 Corn Belt states	-3	-1	+2

The continued cutback in production is difficult to explain. Conditions have been favorable for increased hog production for the past several months. Prices of barrows and gilts at Chicago rose nearly \$8 per hundredweight from the beginning of the year to mid-August. Although prices have edged off from their seasonal high, they are currently, at \$26 per hundredweight, around \$6 higher than at this time last year. While prices of corn (the major feed) have also averaged higher than the year before during the past several months, the ratio of hog and corn prices (a rough measure of profitability of producing hogs) has risen from around 17 in January to above 21 in August. This compares with average ratios of around 17 for 1968 and with 15 for 1967. Furthermore, by using the futures markets, hog producers could assure themselves of returns comparable with those of recent months well into next year. Corn contracts are trading between \$1.15 and \$1.26 a bushel depending on the delivery month, while live hog contracts range from \$24 to around \$27 a hundredweight. These prices indicate a hog-corn ratio of near 20 or above through mid-1970. In the past, hog-corn price ratios at this level have typically been followed by substantial increases in farrowings.

There have been, of course, sizable changes in hog production over the past several years. Substantially fewer farmers now raise hogs. Only about a third of the farms produced hogs in 1964—down from around a half in 1959. This decline has continued, possibly at a faster pace, since 1964. The booming economy in recent years has afforded many farmers excellent part-time employment opportunities off the farm and has caused many smaller livestock producers to switch entirely to grain production which can be more fully mechanized.

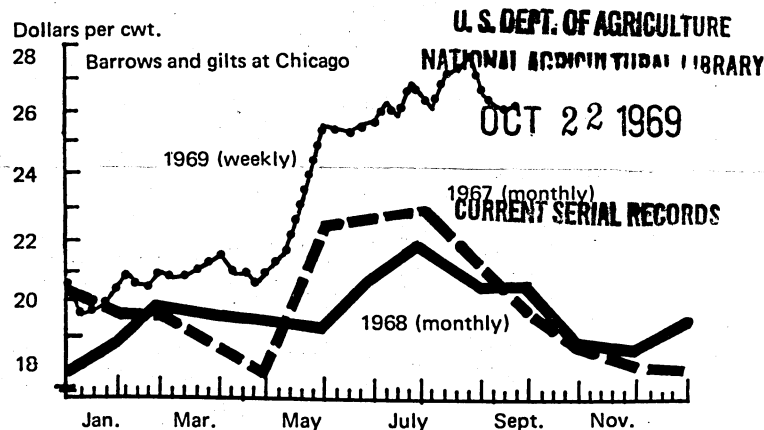
Larger hog farmers have invested increasing amounts of capital in their operations and are, as a result, less able to vary their production significantly from year to year.

Nevertheless, the lack of response to the currently favorable returns in hog production has been attributed primarily to disease and failure of sows to breed. Also, many farmers reportedly sold gilts and sows because of the very high prices.

Expanded production is foreseen for early next year. Sows farrowing from December through February 1970 are expected to number about 2 percent more than the year before. These pigs, however, generally will not be marketed before mid-1970.

Marketings during the next few months are apt to average well under the previous year. Market hogs weighing over 60 pounds on farms on September 1 appear to number about 7 percent fewer; those weighing less than 60 pounds were down about 2 percent.

Hog Prices Edge Down



Hog prices are likely to continue relatively high well into next year. Larger supplies of beef and poultry will tend to hold down pork prices over the next few months—a period when pork prices are typically under pressure from seasonally larger pork supplies. But, the seasonal decline in the latter part of this year is apt to be small because of the fewer marketings expected and the reduced amount of pork in cold storage. Storage stocks on September 1 were down about 15 percent from last year.

Roby L. Sloan
Agricultural Economist

FARM BUSINESS CONDITIONS

I T E M S	1969		1968
	August	July	August
PRICES:			
Received by farmers (1957-59=100)	115	117	108
Paid by farmers (1957-59=100)	127	128	121
Parity price ratio (1910-14=100)	75	75	74
Wholesale, all commodities (1957-59=100)	113.4	113.3	108.7
Paid by consumers (1957-59=100)	128.7	128.2	121.9
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.27	1.30	1.22
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.30	1.29	1.08
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.63	.64	.60
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.61	2.70	2.72
Hogs, barrows and gilts, Chicago (dol. per cwt.)	27.11	26.19	20.50
Beef steers, choice grade, Chicago (dol. per cwt.)	30.94	31.49	27.92
Milk, wholesale, U. S. (dol. per cwt.)	5.37	5.21	5.24
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.69	.69	.67
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.16	.17	.14
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.36	.38	.34
Milk cows, U. S. (dol. per head)	306	305	277
Farm labor, U. S. (dol. per week without board)	--	75.75	--
Factory labor, U. S. (dol. earned per week)	129.11 ^P	129.20 ^P	121.39
PRODUCTION:			
Industrial, physical volume (1957-59=100)	174.3	174.6	163.9
Farm marketings, physical volume (1957-59=100)	127	127	132
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	756.6 ^P	751.4	694.1
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	47.7	51.1	45.3
EMPLOYMENT:			
Farm (millions)	4.0	4.2	4.1
Nonagricultural (millions)	75.7	75.5	73.3
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	130.8	133.3	123.5
Nonagricultural banks (1957-59=100)	125.0	128.2	123.1
Time deposits:			
Agricultural banks (1957-59=100)	336.0	334.0	300.5
Nonagricultural banks (1957-59=100)	309.5	311.1	317.0
¹ Based on estimated monthly income. ^P Preliminary.			

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