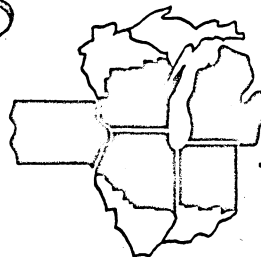


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# Agricultural Letter



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**PORK PRODUCTION** is expected to increase sharply in the months ahead. Indeed, the increase is greater than had been anticipated earlier this year. The 1970 spring (December-May) pig crop—the bulk of which will be marketed in the last six months of this year—is now estimated at 52.6 million head. This is about 12 percent above the 46.9 million head farrowed in the same period a year ago. Furthermore, farmers' intentions as of early June point to a 17 percent increase in the number of sows farrowing during the fall period (June-November). If these intentions are actually carried out, the fall pig crop will total 49.2 million head. This combined with the big spring pig crop would bring the total pig crop for the current year to nearly 102 million head—up 14 percent from 1969, and the largest since 1943.

The current uptrend in hog production started in late 1969 as hog producers increased the number of sows farrowing compared to year-earlier levels. Relatively high hog prices in conjunction with a hog-corn ratio (one measure of profitability) well above the long-term average triggered the expansion which gained momentum in 1970.

### Production Expansion Underway

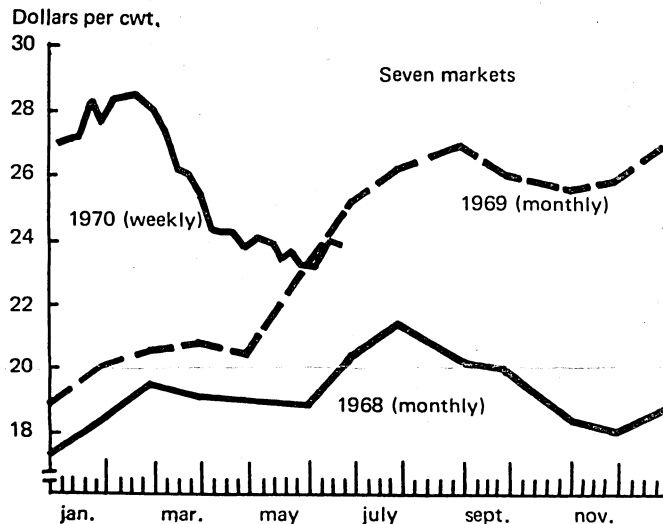
	Winter farrowings (Dec.-Feb.)	Spring farrowings (March-May)	Summer farrowings (June-Aug.)	Fall farrowings (Sept.-Nov.)
	<i>(percent change from a year earlier)</i>			
Illinois	+10	+19	+18	+18
Indiana	+5	+22	+12	+12
Iowa	+4	+15	+15	+10
Wisconsin	+1	+10	+10	+15
Ten Corn Belt states	+6	+16	+17	+15
United States	+7	+16	+17	+17

Hog marketings in recent weeks have approached 1969 levels as a result of the upturn in farrowings last fall. The number of hogs slaughtered weekly under federal inspection has averaged about 1 percent above a year ago since mid-June. Total pork production is up 4 percent over the year-ago level because of heavier slaughter weights. Since the beginning of the year, slaughter weights have run about 6 pounds higher per animal compared to 1969. Hog slaughter, currently at a seasonal low, will begin to increase in coming weeks as pigs farrowed earlier this year reach market weights. Hog slaughter usually reaches a seasonal high during October or November.

Hog marketings during the remainder of 1970 will continue to outpace those of a year ago, especially in the final months. If slaughter weights continue high, total pork production will be up even more. The Department of Agriculture's early June survey showed nearly a tenth more hogs on farms this year than last. Biggest increases were in the lighter weight groups reflecting the more recent upsurge in sows farrowing. Hogs weighing under 120 pounds were up 11 percent, while those weighing more than 120 pounds were up only 4 percent from the year before. Nearly all of these animals will be marketed before year-end.

Retail pork prices are apt to be under strong downward pressure as expected larger marketings begin to materialize. Prospective larger supplies of competing meats and less exuberant consumer demand also point to price weakness later in the year. Hog prices, except for the seasonal strength in recent weeks, have been on the downtrend since the beginning of 1970 and are currently about \$1 a hundredweight under last year's level. Although some further seasonal rise may be expected over the period immediately ahead, prices are almost certain to continue below the 1969 level. By year-end, prices are apt to drop below the \$20 a hundredweight mark—the first time since the latter part of 1968.

### Hog Prices Apt to be Under Pressure from Larger Supplies



The longer term outlook for the hog business appears to be one of excess supply through the first part of 1971. Farmers' plans can be, and often are, revised, but if current fall farrowing intentions are carried out, the potential supplies-per-person would be the largest since 1959. Prices received by farmers during that period averaged around \$16 per hundredweight. Distant hog futures contracts are currently trading just under \$20 per hundredweight. Corn contracts with similar delivery dates are around \$1.40 a bushel. These prices indicate a hog-corn price ratio of around 14 for the early part of 1971—a level which could cause farmers to limit further expansion in hog production.

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Agricultural Economist

## FARM BUSINESS CONDITIONS

I T E M S	1970		1969
	May	April	May
<b>PRICES</b>			
Received by farmers, U. S. (1957-59=100) . . . . .	117	116	117
Paid by farmers, U. S. (1957-59=100) . . . . .	132	132	128
Parity price ratio (1910-14=100) . . . . .	73	72	75
Wholesale, all commodities (1957-59=100) . . . . .	116.8	116.6	112.8
Paid by consumers (1957-59=100) . . . . .	134.6	134.0	126.8
Wheat, No. 2 red winter, Chicago (dol. per bu.) . . . . .	1.48	1.55	1.33
Corn, No. 2 yellow, Chicago (dol. per bu.) . . . . .	1.32	1.28	1.32
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.70	.71	.68
Grain Sorghum, No. 2 yellow, Kansas City (dol. per cwt.) . . . . .	1.96	2.00	2.00
Soybeans, No. 1 yellow, Chicago (dol. per bu.) . . . . .	2.70	2.64	2.72
Hogs, barrows and gilts, Omaha (dol. per cwt.) . . . . .	23.43	24.00	22.93
Beef steers, choice grade, Chicago (dol. per cwt.) . . . . .	30.53	31.56	33.85
Milk, wholesale, U. S. (dol. per cwt.) . . . . .	5.43	5.51	5.16
Butterfat, U. S. (dol. per lb.) . . . . .	.71	.71	.69
Broilers, live, U. S. (dol. per lb.) . . . . .	.14	.14	.14
Eggs, U. S. (dol. per doz.) . . . . .	.30	.35	.30
Milk cows, U. S. (dol. per head) . . . . .	330	327	299
Farm labor, U. S. (dol. per week without board) . . . . .	--	76.50	--
Factory labor, U. S. (dol. earned per week) . . . . .	133.67 <sup>P</sup>	131.80 <sup>P</sup>	128.61
<b>PRODUCTION</b>			
Industrial, physical volume (1957-59=100) . . . . .	169.0 <sup>P</sup>	170.4	172.5
Farm marketings, physical volume (1957-59=100) . . . . .	101	96	97
<b>INCOME PAYMENTS</b>			
Total personal income, U. S. (annual rate, bil. dol.) . . . . .	793.5 <sup>P</sup>	801.3	740.0
Cash farm income, U. S. <sup>1</sup> (annual rate, bil. dol.) . . . . .	50.4	50.4	49.0
<b>EMPLOYMENT</b>			
Agricultural (millions) . . . . .	3.7	3.5	3.9
Nonagricultural (millions) . . . . .	74.6	74.9	73.4
<b>FINANCIAL (district member banks)</b>			
Demand deposits:			
Agricultural banks (1957-59=100) . . . . .	135.3	136.2	133.1
Nonagricultural banks (1957-59=100) . . . . .	129.8	130.4	131.4
Time deposits:			
Agricultural banks (1957-59=100) . . . . .	359.1	356.7	329.5
Nonagricultural banks (1957-59=100) . . . . .	315.4	315.1	319.8

<sup>1</sup> Based on estimated monthly income.      <sup>P</sup> Preliminary.

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