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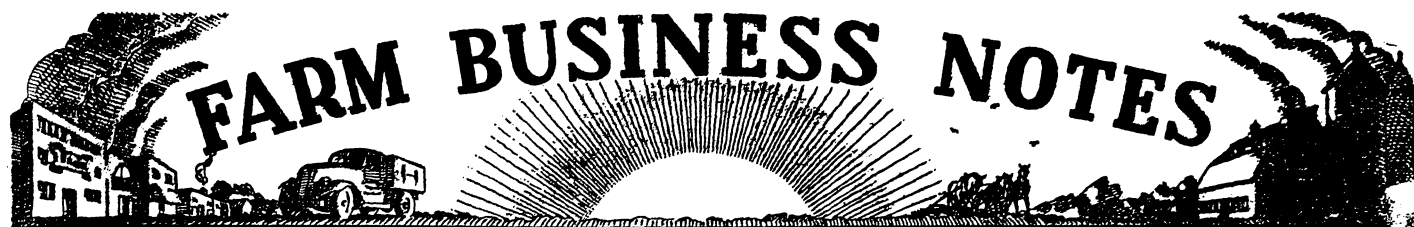
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Prepared by the Divisions of Agricultural Economics and Agricultural Extension
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Hog Price Differentials Between Chicago and South St. Paul

AUSTIN A. DOWELL

Hog price differentials between the public markets at Chicago and South St. Paul changed considerably during the eleven-year period 1931 to 1941. The yearly differentials for each of the three weight groups of good and choice barrows and gilts shown in table 1 tended to decline, the decline being greatest for the lightweight group and least for the heavyweight group. Variations from the general trends were so relatively small in the case of the lightweight and mediumweight groups that the differentials narrowed rather consistently. On the other hand, the differential for the heavyweight hogs varied rather sharply from year to year.

The differential was less for the lightweight than for the other groups in all years, except in 1932, when the differential for the mediumweight hogs was slightly lower. The differential was greatest for the heavyweight group, except in 1935, when it was the same as that for the mediumweight hogs, and in 1941, when it was slightly less.

The data upon which this study is based were supplied by the Agricultural Marketing Service, U. S. Department of Agriculture. The monthly average prices at South St. Paul for a given weight group were subtracted from the corresponding monthly average prices at Chicago for the same weight group.

As indicated in tables 1 and 2, the yearly and monthly average prices at South St. Paul were lower than at Chicago for each of the three weight groups throughout the period. This is the usual situation, as the movement is from the western surplus to the eastern deficit production areas and the expense per hundredweight is greater from South St. Paul than from Chicago, due to the greater distance.

The narrowing of the differentials between South St. Paul and Chicago during this period appears to have been due largely to competition arising out of the expansion of slaughter in the northwestern Corn Belt. Slaughter, particularly at interior packing plants, increased and this tended to increase the demand and hence strengthen the price of hogs throughout this area, both at the interior markets

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and at South St. Paul. This narrowing of the differentials continued from 1938 through 1941, even though freight rates on live hogs from South St. Paul to Chicago were increased in March, 1938. The increase on double-deck loads of hogs was from 37 to 39 cents per hundredweight and the latter rate remained in effect through 1941. The relative decline in receipts at

Chicago and increase in slaughter in the northwestern Corn Belt led to a decline in the relative importance of the Chicago market.

The demand for hogs from the western part of the Corn Belt by Pacific Coast packers also increased during the latter part of the period and this tended to strengthen hog prices in this area compared with Chicago.

The differences in the width of the differentials for the three weight groups appear to have been due to the supply of and demand for hogs of different weights. The corn-hog ratio was usually more favorable in the western than in the eastern Corn Belt. Consequently, there was a tendency to market hogs at somewhat heavier weights in the western area. This tended to reduce the supply of lightweight hogs. Packers in the western area required

Table 1. Yearly Differences in Hog Prices Between Chicago and South St. Paul for Specified Weight Groups of Good and Choice Barrows and Gilts, 1931-1941 (South St. Paul Is the Lower-Priced Market)

Year	Good and choice barrows and gilts		
	180-200 lbs.	200-220 lbs.	240-270 lbs.
	Cents per hundredweight		
1931.....	\$0.41	\$0.43	\$0.53
1932.....	.39	.38	.43
1933.....	.32	.35	.41
1934.....	.30	.35	.40
1935.....	.35	.39	.39
1936.....	.32	.40	.56
1937.....	.35	.39	.42
1938.....	.25	.31	.48
1939.....	.25	.31	.44
1940.....	.22	.29	.38
1941.....	.22	.28	.27
Average .....	.31	.35	.43

some lightweight hogs to supply their trade outlets, and shipping orders for the eastern seaboard packing plants were concentrated largely on lightweight, rather than heavyweight, hogs. As a result, the demand for lightweight hogs in this area was usually somewhat stronger in relation to supply than for mediumweight hogs, and somewhat stronger for mediumweight than for heavyweight hogs. Thus, during most of the period, the differentials were narrowest on the lightweight and widest on the heavyweight hogs.

While the differentials for each weight group tended to narrow, as indicated by table 1, table 2 indicates that the monthly differentials for a single weight group did not remain constant during a given year. Nor was the monthly pattern identical from year to year. For example, the monthly differentials on the lightweight hogs were equal to or greater than the freight rate on double-deck loads from South St. Paul to Chicago for six months in 1937 (37 cents per hundredweight in 1937 and 39 cents from March, 1938, through 1941), but for only one month in each of the next four years. In the case of the heavyweight group, the differentials were greater than the freight rate on live hogs during seven to ten months of each year, except 1941, when it was greater in only three months. The mediumweight group fell between these extremes, the differentials being greater than the freight rate on live hogs for six months in 1937, but for only two or three months in each of the other years.

From the data in table 2 it is apparent that there was some tendency for the differentials to vary seasonally. The differentials for the light and mediumweight hogs tended to be narrowest in June and widest in February, while those for the heavyweight group tended to be narrowest in April and widest from July through October. In general, the differentials for a given weight of hogs were widest when receipts of that particular weight were relatively heavy, and narrowest when receipts were relatively light. The number of hogs raised at any given time is

Table 2. Monthly Differences in Hog Prices Between Chicago and South St. Paul for Specified Weight Groups of Good and Choice Barrows and Gilts, 1937-1941
(South St. Paul Is the Lower-Priced Market)

Weight group and year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Cents per hundredweight												
180-200 lbs.												
1937.....	\$0.38	.42	.22	.26	.28	.31	.43	.38	.48	.46	.33	.31
1938.....	.32	.36	.41	.31	.23	.05	.16	.21	.11	.29	.20	.34
1939.....	.23	.32	.40	.25	.17	.17	.17	.25	.32	.26	.28	.22
1940.....	.23	.28	.18	.08	.14	.10	.14	.20	.23	.40	.37	.28
1941.....	.27	.36	.30	.12	.10	.08	.39	.11	.14	.29	.22	.30
200-220 lbs.												
1937.....	\$0.33	.42	.29	.23	.35	.36	.43	.40	.54	.57	.38	.41
1938.....	.38	.46	.47	.35	.29	.14	.25	.25	.20	.30	.29	.38
1939.....	.28	.42	.44	.28	.22	.20	.23	.29	.40	.31	.32	.35
1940.....	.34	.37	.23	.14	.21	.17	.23	.27	.34	.43	.39	.33
1941.....	.30	.44	.36	.19	.15	.13	.45	.21	.21	.37	.25	.29
240-270 lbs.												
1937.....	\$0.23	.31	.22	.23	.42	.48	.45	.41	.68	.58	.49	.57
1938.....	.46	.56	.62	.34	.46	.48	.64	.48	.58	.42	.36	.39
1939.....	.36	.48	.53	.47	.47	.54	.47	.38	.47	.37	.36	.43
1940.....	.38	.40	.43	.27	.29	.20	.42	.45	.49	.47	.44	.35
1941.....	.21	.40	.36	.17	.15	.14	.41	.14	.24	.49	.27	.25

influenced greatly by feed supplies, and the date and weight at marketing are influenced by the date of farrowing and the relationship between hog prices and feed prices.

There also were sharp variations in the day-to-day price differentials between the South St. Paul and Chicago markets. In some cases the price of a given weight group advanced on both markets but at different rates. In other cases, the price of the same weight group advanced on one market but remained steady on the other. In still other cases the price advanced on one market but declined on the other. Prices also frequently behaved differently for the different weight groups. Furthermore, prices seldom remained unchanged at both markets for any length of time. Hence the differentials for a given weight group and the differentials between groups changed frequently.

It is apparent that forces which tend to raise or depress hog prices over considerable periods of time affect the general trend of prices at all markets. For example, the price on 200-220-pound good and choice barrows and gilts at South St. Paul was \$10.25-\$10.40 on January 8, 1937, but only \$5.30-\$5.60 on January 8, 1940. Quotations at the Chicago market for the same weight group for the same days were \$10.50-\$10.75 and \$5.65-\$5.90, respectively. Relatively high prices in 1937 were due to light supplies following the severe drouth, while the opposite situation prevailed in 1940. It is also apparent that supply and demand on a given market cause day-to-day prices on that market to behave differently from prices at other markets.

Responsibilities of Directors

W. H. DANKERS

The directors are the connecting link between the membership and the management of an association. They have many duties to perform, paramount of which is the formulation of policies. They have a moral and legal responsibility and should direct action that will result in the greatest amount of good for the greatest number of members in the association.

The following "Director's Pledge" was prepared in response to requests from directors of cooperatives in Minnesota. It has been adopted by many in Minnesota and elsewhere as their official guide.

A Director's Pledge

I pledge to do my best for the cooperative association that has elected me to serve in a position of honor and trust.

I WILL:

Above all things be honest and diligent.

Place the interests of the association above my own personal interests.

Give as careful attention to the affairs of the cooperative as I give to my own business.

Give the necessary time to board meetings and other deliberations.

Study the business and problems of the association, and the broader considerations that affect its welfare.

- Strive for continued and increased efficiency in the association.
- Be prompt and attentive at all meetings of the directors so that there is no loss of valuable time.
- Do independent and careful thinking, express my honest opinion, and not be a rubber stamp.
- Be open-minded and a teamworker and realize that the individual views of board members cannot always prevail.
- Remember that the majority rules and that the minority must fall in line.
- Present the views of the board of directors to fellow members rather than my own, whenever I speak for the association.
- Strive to keep this a members' cooperative and not let it become a directors' or manager's cooperative.
- Represent the association in its entirety and not just the members from my community.
- Do all in my power to have the association controlled democratically, including the election of directors.
- Welcome new ideas or "new blood" as a means of keeping life in the association and the service to the patrons at a high level.
- Do everything possible to inform members and patrons of established policies and programs of the association.
- Curb emotion and apply reason and common sense to all problems.

I WILL NOT:

- Consider myself indispensable.
- Expect any special privileges from the association because I am a director.
- Become financially interested in any business or agency that has interests adverse to those of the association.
- Interfere with the management, but will limit myself to the formulation of business and management policies.
- Approve the employment of close relatives of directors and executives in the association.
- Discuss the affairs of the association with employees, other than the management, unless delegated by the board of directors to do so.
- Carry grudges against other directors, the management, employees, members, or patrons.

Comparison of Operating Results of 90 Cooperative Oil Associations

E. FRED KOLLER

Analysis of the 1945 statements of 90 Minnesota cooperative oil associations shows that their operating results were considerably better than in the previous year and also better than in any year since 1938. Average sales per association reached an all-time high of \$126,712 as compared with an average of \$70,954 in 1938 for these identical associations (table 1). The increase in sales resulted in part from further increases in the sales of petroleum products, but much of the gain was attributable to the rapid expansion of sales of other farm supplies, including auto and tractor supplies, farm equipment, feeds, fertilizer, and other items.

Net savings on this larger volume of business in 1945 reached 8.80 per cent of sales, which was nearly one per cent more than in the previous year and also the highest in the eight-year period of comparison. Another indication of the improvement in operating results in 1945 was that 23 of the 90 associations showed savings in excess of 10 per cent, as compared with eight associations in 1940. A major factor in the increased savings in recent years has been the increase in "other revenues," from an average of about one per cent of sales in the prewar years to a high of 2.89 per cent in 1945. The largest item in "other revenues" consisted of patronage refunds on the merchandise which the local associations purchased through the large regional cooperatives with which many are affiliated. In recent years the regional organizations have entered various production activities such as refinery operations, farm equipment manufacture, fertilizer production, and others which have netted substantial savings which have been credited to the locals.

It will be noted that the results of the regular distributive operations of these associations remained relatively stable during this eight-year period. Net operating margins averaged 5.91 per cent in 1945, and the returns of previous years have varied only narrowly from this level. This is explained by small variations in gross margins and operating expenses. Operating expenses in eight years have varied less than one per cent of sales from the average of 16.99 per cent attained in 1945. In view of increasing volume of business and increased management experience it might be expected that operating expenses would show a declining trend. Certain expense items such as depreciation and insurance have declined and reflect the more intensive use of the plant. Bad debts and interest expense have dropped sharply, owing to better farm incomes and the improved financial position of most associations. These reductions have been offset by large increases in truck expenses and repairs and increases in wages and the prices of supplies. During the war cost increases and certain inefficiencies in operation were unavoidable. With the return of peacetime conditions, these maladjustments should be corrected promptly and extensive improvements in operating methods should be made. To achieve these results, careful selection and training of personnel is very important. Modernization and streamlining of merchandising methods is also needed.

Table 1. Average of Selected Operating Statement Items of 90 Minnesota Cooperative Oil Associations, 1938-1945

Year	Average sales per assoc.	Gross margin	Operating expenses	Net operating margin	Other revenue	Net margin or savings
Per cent of sales						
1938.....	\$ 70,954	22.99	16.58	6.41	.92	7.23
1939.....	70,861	22.98	17.67	5.31	1.12	6.43
1940.....	74,388	23.53	17.85	5.68	.99	6.67
1941.....	84,697	23.14	17.23	5.91	1.01	6.92
1942.....	90,501	*	*	*	*	6.64
1943.....	94,831	22.34	17.60	4.74	1.82	6.56
1944.....	110,173	22.65	16.56	6.09	1.86	7.95
1945.....	126,712	22.90	16.99	5.91	2.89	8.80

* These operating items were not calculated for 1942.

Minnesota Farm Prices For May, 1946

Prepared by W. C. WAITE and R. W. COX

The index number of Minnesota farm prices for May, 1946, is 190. This index expresses the average of the increases and decreases in farm product prices in May, 1946, over the average of May, 1935-39, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, May, 1946, with Comparisons*

	May 15, 1946	April 15, 1946	May 15, 1945		May 15, 1946	April 15, 1946	May 15, 1945
Wheat	\$1.69	\$1.59	\$1.52	Hogs	\$14.10	\$14.10	\$14.00
Corn	1.19	.98	.89	Cattle	13.00	12.80	12.50
Oats .....	.75	.71	.61	Calves	13.40	13.60	13.30
Barley	1.21	1.14	.97	Lambs-Sheep	12.82	12.82	12.90
Rye	2.33	2.33	1.15	Chickens .....	.20	.20	.22
Flax	2.92	2.92	2.91	Eggs .....	.32	.31	.32
Potatoes	1.20	1.30	1.70	Butterfat .....	.55	.54	.53
Hay	9.20	8.90	9.30	Milk	2.90	2.85	2.60
				Wool† .....	.44	.44	.41

* These are the average prices for Minnesota as reported by the United States Department of Agriculture.

† Not included in the price index number.

The price of wheat received by Minnesota farmers rose 10 cents from mid-April to May 15, reflecting the new ceiling price. Prices received for feed grains, corn, oats, and barley also followed the upward revision in ceiling prices. Corn was up 21 cents; oats, 4 cents; and barley, 7 cents. Among the livestock classes, cattle was the only one to show an increase during this period. Butterfat increased 1 cent and milk, 5 cents. The Minnesota farm price index is 10 points higher than one year ago. The largest increase in the indexes representing the various commodity groups is in the crop price index, which shows a change of 36 points.

The marked decline in the feed ratios from May, 1945, is the result of the greatly increased feed prices. The Minnesota hog-corn ratio at the present time is the lowest since 1940.

Indexes and Ratios for Minnesota Agriculture*

	May 15, 1946	May 15, 1945	May 15, 1944	Average May 1935-39
U. S. farm price index.....	198.3	188.0	182.3	100
Minnesota farm price index.....	189.6	179.6	175.3	100
Minn. crop price index.....	207.1	171.0	180.1	100
Minn. livestock price index.....	181.2	177.2	167.8	100
Minn. livestock product price index.....	190.5	184.0	179.5	100
U. S. purchasing power of farm products	129.7	131.2	130.9	100
Minn. purchasing power of farm products	124.0	125.3	125.8	100
Minn. farmers' share of consumers' food dollar	60.5†	66.6	62.5	46.3
U. S. hog-corn ratio.....	10.6	13.1	11.0	10.7
Minnesota hog-corn ratio	11.8	15.7	12.8	14.6
Minnesota beef-corn ratio	10.9	14.0	11.9	12.7
Minnesota egg-grain ratio	13.0	15.7	12.6	14.6
Minnesota butterfat-farm-grain ratio	30.0	34.0	27.5	29.7

* Explanation of the computation of these data may be had upon request.

† Figure for January, 1946.

‡ Includes an allowance for dairy production payments.

War Savings

One of the principal inflationary influences at the present time is the record high level of liquid assets in the hands of individuals resulting from the accumulation of savings during the war years. According to a recent study by the Treasury Department, individuals' holdings of liquid assets in the form of currency, checking accounts, savings accounts in commercial banks, and federal securities totaled 156 billion dollars at the beginning of the year, the equivalent of a full year's income payment to individuals at the current annual rate.¹

During the years 1940-45, federal expenditures totaled 365 billion dollars and receipts, 156 billion dollars. The deficit of 209 billion represents approximately the addition made by the government to the income stream which was not spent on consumer goods because of shortages and price controls. This deficit plus other minor factors, including increases in bank loans to individuals and corporations, was reflected in an increase of 215 billion dollars in total liquid assets, of which 156 billion represents individuals' holdings.

These tremendous liquid assets are potential purchasing power. They exert inflationary pressure on prices just by their existence, and, if used on the market before adequate supplies are available, would inflate prices greatly. If spent slowly only as goods become available, these assets provide a source of sustained demand for goods in future years.

Since the end of the war, individuals have saved a smaller proportion of their income. In the first quarter of 1946, individuals spent 77 per cent of income payments received, compared with 71 per cent in the last quarter of 1945 and 64 per cent in the first quarter. The resulting boom in retail trade has broken all previous records by a wide margin.

¹ The Demand and Price Situation, Bureau of Agricultural Economics, U.S.D.A., May, 1946.

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