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Federal Reserve Bank of Chicago - -

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Agricultural Letter

Number 546

Net farm income in 1960 may not decline as much as was forecast last fall. The Secretary of Agriculture recently stated that he now expects farm income will show "substantial improvement" over 1959. Reasons given for this reappraisal of the farm prospects included farmers' intentions, as of December, to produce a smaller spring pig crop, "rather favorable" cattle prices, "some improvement" in poultry and indications that dairy farmers "will have their best year in history."

These four commodities account for nearly 60 per cent of U. S. farmers' cash receipts from marketings and are of even greater importance in the Seventh Federal Reserve District.

Prices Received by Farmers,
East North Central Region of United States

	December 1959	January 1960	January 1960 as per cent of January 1959
Corn, bu.	\$.99	\$ 1.02	97
Oats, bu.71	.72	120
Soybeans, bu.	2.02	2.04	100
Hogs, cwt.	11.20	12.00	72
Beef, cwt.	19.10	20.10	90
All milk, cwt.	3.91	3.81	104
Eggs, doz.26	.25	76
All farm commodities, U.S. index (1910-1914=100)	228	231	86

Prices of most farm commodities in January were lower than a year earlier, with the largest declines in hogs, eggs and beef cattle. Although the over-all index in January was down 14 per cent, it was higher than in December, and prices of the major commodities produced on District farms increased, except for milk and eggs. However, these changes—both up and down—may be largely seasonal.

Hogs: The 1959 fall pig crop is estimated at 43 million head, the largest since 1946. The number on farms on January 1, 1960, was 58.4 million head, the largest since 1952. This indicates a continued large volume of marketings through the spring, with prices likely to remain below the year-ago level. However, if farmers should in fact reduce farrowings for the 1960 spring crop, marketings would drop later in the year and prices would be expected to increase. The Secretary urged farmers to carry through the planned reduction of farrowings.

The widespread publicity accorded the prospective cutback in production of hogs may have caused some farmers to revise their plans. The abundant supply of corn, much of it still too high in moisture to qualify for Government loan, could help to swing farmers' decisions in the direction of more hogs. Also, we hear reports of an active demand for bred sows and feeder pigs.

The latest confusion in the hog situation has arisen from the figures on sow slaughter. The U. S. Department

of Agriculture revised the first estimate of sow slaughter for November substantially downward. Then the Agricultural Letter last week added to the confusion by reporting the percentage change from last year incorrectly. If the numbers are all wrapped up for the last three months of 1959, sow slaughter under Federal inspection was 20 per cent above the year-earlier figure. This would lend support to the December report that the spring crop was being reduced.

Cattle and calves on farms on January 1, 1960, totaled 101.5 million head, an increase of 5 per cent from the 96.7 million head a year earlier. If the inventory had not been increased, slaughter during 1959 would have been about 16 per cent larger than the 30.7 million actually slaughtered.

If the cyclical build-up in cattle numbers continues to hold down total cattle slaughter, no sharp price decline would be expected this year. And lower pork supplies in the second half should lend support to beef prices.

Poultry: The number of hens on farms January 1, 1960, was 5 per cent above a year earlier, but the number of pullets was down 8 per cent. This decline in pullets reflects lower hatchings of chicks for replacement of laying flocks as producers in 1959, under the pressure of the record production of eggs and poultry meat, experienced the lowest prices since the early 1940's. If lower hatchings continue this spring the result will likely be a decline in production and some rise in egg prices during 1960.

Broiler production was cut back after midyear in response to the low prices. But it was not until December that broiler prices rose sharply. Hatchings of broiler-type chicks increased promptly in response to these higher prices and marketings can be expected to exceed year-earlier levels in the spring.

Dairy, as reported previously, is one of the brightest spots in the 1960 farm outlook. The price prospects have strengthened as a result of the narrowing of the gap between production and sales in commercial outlets and the near liquidation of surplus stocks of butter and cheese. But this improvement is largely due to a temporary decline in milk production as dairy farmers increased the rate of culling of dairy cows in response to an unfavorable milk-beef price ratio.

Research Department