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Federal Reserve Bank of Chicago - -

July 22, 1955

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CATTLE AND CALVES on feed July 1 have recently been estimated to exceed the year-ago number by 13 per cent. Corn Belt farmers have 10 per cent more on feed while western states continue to show considerably larger increases. This is the third consecutive quarterly report to show an increase in cattle on feed. And each of the surveys have shown successively larger increases.

The survey provides further evidence that fed cattle marketings are likely to be relatively large and the usual fall price rise may be limited.

Percentage changes from a year ago in the number of cattle on feed for District states are as follows:

Illinois . . . . .	+13	Michigan . . . . .	+15
Indiana . . . . .	+17	Wisconsin . . . . .	+1
Iowa . . . . .	+9		

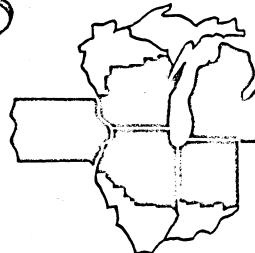
OUTPUT OF POULTRY MEAT is expected to continue at high levels during the next several months. With prospects for a larger output of pork, beef and veal during the remainder of the year, keen competition for the consumers' meat dollar can be expected.

Broiler output has been expanding and prices received by farmers have declined 2 cents from the March level of 29 cents per pound. However, the average June price of 27 cents per pound was 3 cents above a year earlier. Chick placements in 13 major broiler producing areas have averaged 15 per cent above 1954 levels since early May. The substantial boost indicates that the output of broiler meat in the next several months will be larger than a year ago and prices are likely to trend lower. Last year, August and September farm prices averaged 24 cents per pound and then declined to around 20 cents during the final three months of the year.

Turkey production, on the other hand, is expected to drop moderately below last year's record level. The crop of heavy breed turkeys may approach that of 1954 while the crop of light breed turkeys, which makes up less than one-third of the total turkey crop, will probably drop below the year-earlier level. Hatchings of light breed turkeys during the first half of 1955 were 27 per cent below last year's number. However, this margin may narrow if the seasonally large summer hatches more nearly match last year's levels.

EGG PRICES and market prospects have run the gamut from good to bad in recent weeks. During June, egg prices at Chicago rose about 5 cents a dozen. But since last month's peak, prices have declined about 6 cents and are currently a few cents under a year ago.

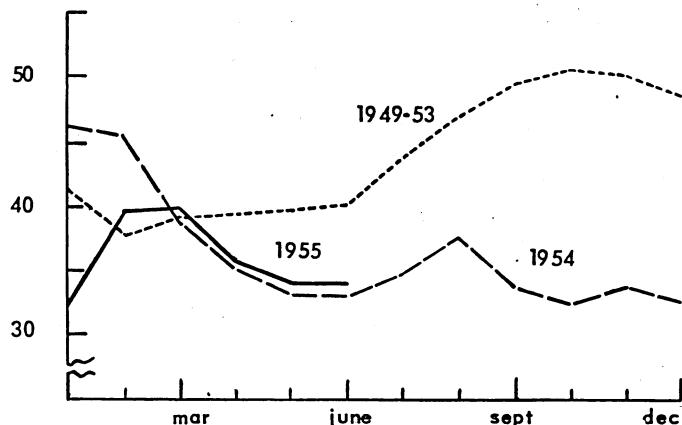
# Agricultural Letter



Number 310

The sharp price reversal was due to prospects of continued large output of eggs for the next month or so. The laying flock as of July 1 was 4 per cent greater than a year earlier—the largest margin since last fall. Farmers have been holding onto old hens in an attempt to take advantage of any seasonal price rise. And despite the lower rate of culling, the rate of lay has continued at record levels.

## EGG PRICES RECEIVED BY FARMERS cents per dozen



During the first five months of the year, flock replacement with young chickens ran 18 per cent below the number raised in the corresponding period of a year earlier. This substantial reduction indicates that egg production will drop below year-ago levels later this year and early in 1956. The USDA indicates that the decline may begin during August when most of the pullets from the small March hatch will be laying, but percentage-wise it will probably be the greatest during the last few months of the year. This suggests that prices will likely be at their highest levels relative to last year during the last quarter.

However, the reduced culling rate, higher-than-expected rate of lay, and a 40 per cent boost in shell egg stocks from last year's small storage will probably hold the seasonal summer and fall price rise below previous expectations. Moreover, most observers expect the rise to be interrupted by price hesitations of the sort that have been occurring recently.

Research Department

FARM BUSINESS CONDITIONS  
JUNE 1955, WITH COMPARISONS

ITEMS	1955		1954	1940
	June	May	June	June
<b>PRICES:</b>				
Received by farmers ..... (1947-49=100) .....	90	90	92	36
Paid by farmers ..... (1947-49=100) .....	113	113	113	50
Parity price ratio ..... (1910-14=100) .....	86	87	88	74
Wholesale, all commodities ..... (1947-49=100) .....	110 <sup>a</sup>	110 <sup>b</sup>	110 <sup>a</sup>	49 <sup>a</sup>
Paid by consumers ..... (1947-49=100) .....	114 <sup>a</sup>	114 <sup>b</sup>	115 <sup>a</sup>	59
Wheat, No. 2 red winter, Chicago ..... (dol. per bu.) .....	2.18 <sup>a</sup>	2.15 <sup>b</sup>	2.00 <sup>a</sup>	— <sup>a</sup>
Corn, No. 2 yellow, Chicago ..... (dol. per bu.) .....	1.51 <sup>a</sup>	1.49 <sup>b</sup>	1.61 <sup>a</sup>	.69 <sup>a</sup>
Oats, No. 2 white, Chicago ..... (dol. per bu.) .....	.78 <sup>a</sup>	.80 <sup>b</sup>	.82 <sup>a</sup>	.42 <sup>a</sup>
Soybeans, No. 2 yellow, Chicago ..... (dol. per bu.) .....	2.54	2.60	3.71	1.00
Hogs, barrows and gilts, Chicago ..... (dol. per cwt.) .....	19.51	17.24	24.02	5.17
Beef steers, choice grade, Chicago ..... (dol. per cwt.) .....	22.63	23.09	23.88	9.57
Milk, wholesale, U. S. .... (dol. per cwt.) .....	3.61	3.62	3.49	1.62
Butterfat, local markets, U. S. .... (dol. per lb.) .....	.57	.57	.56	.26
Chickens, local markets, U. S. .... (dol. per lb.) .....	.25	.25	.23	.13
Eggs, local markets, U. S. .... (dol. per doz.) .....	.34	.34	.33	.14
Milk cows, U. S. .... (dol. per head) .....	148	147	151	61
Farm labor, U. S. .... (dol. per week without board) .....	39.50	38.00 <sup>b</sup>	38.75	—
Factory labor, U. S. .... (dol. earned per week) .....	76.11	76.30	71.50	25.79
<b>PRODUCTION:</b>				
Industrial, physical volume ..... (1947-49=100) .....	139	138 <sup>b</sup>	124 <sup>b</sup>	66 <sup>b</sup>
Farm marketings, physical volume ..... (1947-49=100) .....	—	89	83	61
<b>INCOME PAYMENTS:</b>				
Total personal income, U. S. .... (Annual rate, bil. of dol.) ..	301 <sup>a</sup>	299 <sup>b</sup>	287 <sup>a</sup>	77 <sup>a</sup>
Cash farm income, U. S. <sup>1</sup> .... (Annual rate, bil. of dol.) ..	29	31	30	9
<b>EMPLOYMENT:</b>				
Farm ..... (millions) .....	9.3	8.9	9.6	13.8
Nonagricultural ..... (millions) .....	56.3	55.7	54.5	35.1
<b>FINANCIAL:</b>				
Weekly reporting member banks: <sup>2</sup>				
Demand deposits adjusted ..... (bil. of dol.) .....	56.2	56.5	53.3	—
Total loans ..... (bil. of dol.) .....	44.5	43.3	39.1	—
Commercial, industrial, and agricultural loans (bil. of dol.) .....	23.5	22.6	21.9	—
U. S. Government total gross direct debt <sup>3</sup> ..... (bil. of dol.) .....	274	278	271	43

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

<sup>a</sup> May

<sup>2</sup> Last Wednesday of the month.

<sup>b</sup> April

<sup>3</sup> End of month.