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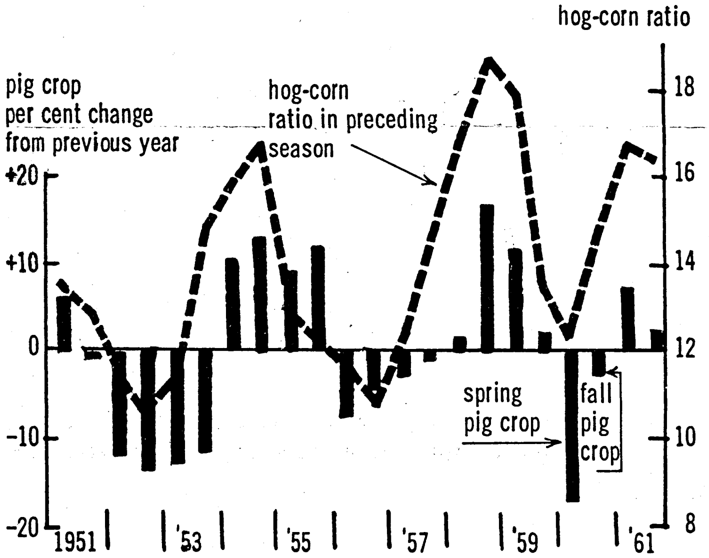
The current hog cycle is showing an unusually slow buildup. In the 10 leading hog producing states the number of sows farrowed during the summer was unchanged from a year ago and the increase in the fall period is expected to be only 5 per cent. In addition, farmers in these states report an increase from last year of only 4 per cent in the number of sows planned to farrow during the winter.

Slow Cyclical Upswing in Hog Production



This summer the hog-corn price ratio was about 16 to 1. Historically, a price ratio this high has been accompanied by a 10 per cent increase in hog production as farmers attempted to convert corn into the higher valued product—pork. Furthermore, in the past decade, production of hogs has become more responsive to changes in the hog-corn ratio. From this a natural question arises: What has happened during this hog cycle?

A partial explanation of the slow rise in hog production seems to lie in the feed grain program. With a reduction of 18 per cent in corn acreage, many livestock producers scaled back their hog operations in the expectation that their corn production would be sharply reduced this year. Furthermore, corn purchases were expected to be more expensive since price supports were raised from $1.06 per bushel to $1.20 for the 1961 crop.

A greater production response in hogs may be in prospect next spring and summer. The large corn crop this fall will provide ample supplies of raw material for more pork and the small increase in the fall pig crop likely means continued favorable hog-corn price ratios into the spring which would provide the incentive for increasing hog production. Thus, the uncertainties surrounding the feed grain program have brought a stretching out of the current hog cycle, not an end to it.

Sows Farrowing

	June through November			December through February*		
	1960	1961**	per cent change	1961	1962**	per cent change
	(1,000 head)			(1,000 head)		
Ohio	323	313	-3	134	130	-3
Indiana	548	543	-1	276	282	+2
Illinois	774	820	+6	328	341	+4
Wisconsin	237	225	-5	87	89	+2
Minnesota	386	390	+1	147	163	+11
Iowa	1,156	1,179	+2	443	455	+3
Missouri	454	468	+3	169	179	+6
South Dakota	117	129	+10	40	44	+10
Nebraska	242	257	+6	85	96	+13
Kansas	120	133	+11	59	66	+12
10 States	4,357	4,457	+2	1,768	1,845	+4

* *December preceding year.*
** *Indicated.*

INSURED LOANS of the Farmers Home Administration will now return 4½ per cent to lenders. The U. S. Department of Agriculture has taken advantage of authority granted in the Agricultural Act of 1961 to reduce from 1 per cent to ½ per cent the amount withheld from the 5 per cent interest paid by farmers. The ½ per cent withheld will continue to go into a reserve for losses, but tax dollars will now be used for administrative expenses formerly paid out of the second ½ per cent.

One other change was made to increase the attractiveness of these loans. Investors will now have to hold the loans only 3 years instead of 5 years before having the option to sell the paper back to the Government.

The FHA is authorized to make $50 million of insured loans a year to farmers for purchases of real estate, for water development and soil conservation and under the new farm bill, for housing domestic farm laborers. The FHA holds the mortgage papers and collects the loan payments from farmers while banks and other private lenders hold the promissory notes and receive quarterly payments from the Government.

Research Department