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281.9

F313

Federal Reserve Bank of Chicago - -

January 8, 1965

Agricultural Letter

Number 786

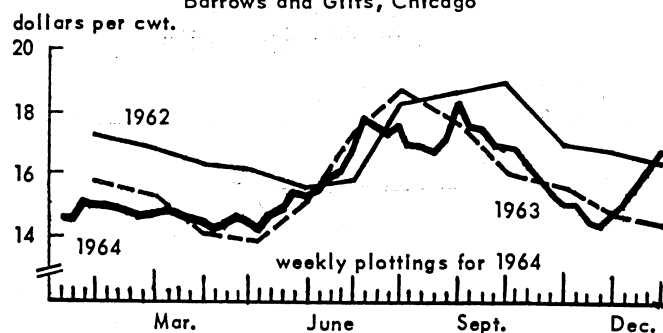
THE OUTLOOK FOR HOG PRODUCERS for 1965 appears to be more favorable than in a number of years. Pork output is expected to average well below the year-earlier level during the next 12 months. The 1964 fall (June-November) pig crop—the bulk of which will be marketed during the first half of this year—is now estimated 8 per cent smaller than the 44.1 million head farrowed in the same period last year. Moreover, farmers' intentions as of early December point to a 7 per cent reduction from year-ago levels in the number of sows to farrow during the winter and spring period (December-May). Assuming the usual average litter size, this would indicate a spring pig crop of about 44.5 million head.

Distant farrowings, of course, can still be altered, and with strengthening hog prices during December some observers expect late spring farrowings to show a smaller decline than is presently indicated. As over two-fifths of the spring pigs are usually farrowed during April and May, the size of the pig crop could be affected substantially if farmers alter their early December plans.

An offsetting factor to the improved hog prices, however, is the smaller feed supplies and expected higher feed costs during 1965. Production of corn—the primary hog feed—in 1964 was estimated at 3,549 million bushels, about 13 per cent smaller than in the preceding year and somewhat short of total anticipated requirements. Also, the provisions of the 1964 feed grain program call for slightly higher prices for "certificate" grain sold out of CCC stocks. Thus, the reduced production coupled with higher Government price supports is expected to result in somewhat higher grain prices.

Against the background of expected higher corn and hog prices, it is difficult to accurately assess the affect it might have on farmers' farrowing intentions. But, any change in farrowing plans now would not directly effect marketings and hog prices before late summer and early fall of 1965.

Hog Prices Rise Sharply
Barrows and Gilts, Chicago



Prices of barrows and gilts at Chicago rose seasonally from their spring low to a high of about \$18 per hundredweight in the latter part of August, then declined sharply until the end of November in response to the seasonal increase of slaughter supplies. Since the first

week in December, hog prices have improved markedly, again reflecting the seasonal decline in hogs slaughtered. Prices reached \$17 per hundredweight during the final week of 1964—nearly \$2 above the first week in December and the corresponding week in the previous year.

Several factors indicate that prices are likely to continue to average well above the 1964 level during most of this year. First and primarily, of course, is the smaller indicated marketings. The number of hogs on farms as of December 1 (other than breeding stock) was estimated 8 per cent below the 1963 level which is about in line with the estimated reduction in June-November farrowings. All of the weight groups showed sizable declines from a year ago. The bulk of these hogs will be marketed during the next four or five months, thus indicating below year-earlier marketings during the first half of 1965. Furthermore, continued reduction in marketings during the second half of this year is indicated by farmers' intentions for smaller farrowings during the December through May period.

Slaughter Supplies Expected to Decline

Weight groups* (pounds)	December		Change (per cent)
	1963	1964	
Under 60	19,212	17,044	-11
60- 110	14,189	13,373	- 6
120- 170	11,281	10,433	- 8
180- 219	6,747	6,298	- 7
Over 220	2,383	2,250	- 6
Total	53,812	49,398	- 8

*Hogs on farms, other than breeding.

Secondly, pork will probably not meet as much increasing competition from beef as in 1964. Total production of beef rose 11 per cent from the 1963 level in 1964 and consumption per capita was about 6 pounds greater. Although total beef production is expected to increase somewhat further during 1965, per capita consumption may dip slightly below the year-earlier level. Also, rising personal incomes and further population growth should provide a somewhat stronger demand for pork during this year.

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Agricultural Economist

FARM BUSINESS CONDITIONS
October 1964 With Comparisons

I T E M S	1964		1963
	October	September	October
PRICES:			
Received by farmers (1957-59=100)	98	98	100
Paid by farmers (1957-59=100)	107	107	106
Parity price ratio (1910-14=100)	76	75	77
Wholesale, all commodities (1957-59=100)	101	101	101
Paid by consumers (1957-59=100)	108	108	107
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.52	1.49	2.15
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.23	1.29	1.24
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.72	.71	.71
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.73	2.70	2.78
Hogs, barrows and gilts, Chicago (dol. per cwt.)	15.69	17.06	15.65
Beef steers, choice grade, Chicago (dol. per cwt.)	25.07	26.07	24.03
Milk, wholesale, U. S. (dol. per cwt.)	4.50	4.28	4.42
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.59	.59	.58
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.14	.14	.13
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.35	.35	.36
Milk cows, U. S. (dol. per head)	207	208	213
 Farm labor, U. S. (dol. per week without board)	 47.25	 --	 47.75
Factory labor, U. S. (dol. earned per week)	102.97	103.94	100.53
 PRODUCTION:			
Industrial, physical volume (1957-59=100)	132	134	126
Farm marketings, physical volume (1957-59=100)	175	133	176
 INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	499	498	473
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	43.4	36.2	43.9
 EMPLOYMENT:			
Farm (millions)	5.1	5.2	5.4
Nonagricultural (millions)	66.0	65.6	64.5
 FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	116	112	114
Nonagricultural banks (1957-59=100)	109	113	103
Time deposits:			
Agricultural banks (1957-59=100)	183	182	163
Nonagricultural banks (1957-59=100)	200	197	176
 ¹ Based on estimated monthly income.			

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