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## Federal Reserve Bank of Chicago --

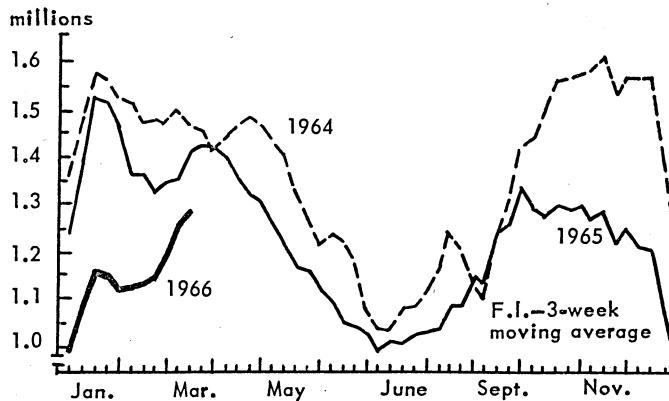
April 1, 1966

INCOME FROM HOGS ranks high on most Midwest farms. In 1964, it accounted for about \$1.00 of each \$5.00 of total cash receipts in Illinois and Indiana, and about \$1.00 of each \$4.00 of cash receipts in Iowa.

Cash receipts in the nation from hog marketings rose about 23 per cent during 1965 (estimates for individual states are not available), reflecting a reduction of about 10 per cent in pork production and an increase of nearly 40 per cent in prices of hogs.

While this year likely will be even more profitable than 1965 for many hog producers, the downward trend in supplies and the advance in prices are being reversed. Prices of hogs, although still well above year-earlier levels, have declined sharply in recent weeks in response to larger pork supplies.

### Hog Slaughter Increases Sharply

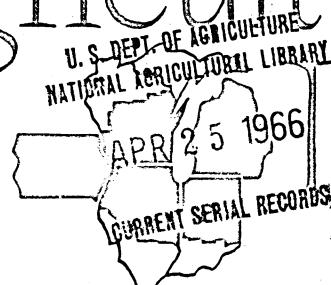


Since the beginning of the year, barrow and gilt prices at Chicago have declined from about \$28 per hundredweight to less than \$25 per hundredweight. Hog slaughter under Federal inspection during the same period has risen nearly 13 per cent. Weekly slaughter is currently still about 10 per cent under year-ago levels, however.

Although hog prices are expected to increase during the late spring and early summer months in response to seasonally smaller pork supplies, the margin between year-ago prices is expected to narrow further. By next fall hog prices are likely to be substantially below the very high 1965 level. This pattern of marketings and prices is indicated by the sizable increases shown for the spring pig crop (December-May) in the 10 Corn Belt states. These states account for nearly three-fourths of the nation's total hog production.

The recent U. S. Department of Agriculture survey indicates that about 7 per cent more pigs were farrowed in the 10 states from December through February than during the corresponding period a year earlier. Furthermore, farmers in these states reported the number of sows bred and intended for farrowing in March, April and May to be 9 per cent greater than a year ago.

# Agricultural Letter



Number 850

### Production Expansion Underway

	Winter farrowings (Dec.-Feb.)	Spring farrowings (March-May)	Summer farrowings (June-Aug.)
(per cent change from a year ago)			
Indiana	+6	+15	+13
Illinois	+6	+ 6	+ 6
Iowa	+4	+ 7	+ 5
Wisconsin	-1	+ 7	+10
10 Corn Belt states	+5	+ 9	+ 8

The response of farmers to high prices for hogs last fall and winter is in conformity with past cycles of hog production, although it may not have been as dramatic as in some past years. Prices for barrows and gilts at Chicago rose to more than \$29 per hundredweight in December, approaching the record levels that followed World War II. The hog-corn price ratio—one measure of the profitability of producing hogs—has averaged better than 20 to 1 since early last fall. During 1963 and 1964, this ratio fluctuated between 11 to 1 and 14 to 1. Furthermore, a record corn crop in 1965 added to the need for more hogs in order to "convert" corn into pork.

Prices of feeder cattle have risen sharply since last fall after reaching a low during September. Feeder steers at Kansas City weighing 500-800 pounds averaged more than \$29 per hundredweight during March—about \$5 above last fall's prices and about \$7 per hundredweight higher than a year ago. Several factors have been important in this rise, but possibly the most important has been the uptrend in fat cattle prices. Historically, feeder cattle prices have tended to move in the same direction as fed cattle. In addition, many cattle feeders were apparently holding off purchases of feeder cattle last fall, expecting the decline in prices to continue through the fall as had been the case in 1964. However, once it became apparent that this was not in the offing, these farmers still needed to purchase cattle and have proceeded to do so on a rising market.

Shipments of feeder cattle into 8 Corn Belt states during February totaled 40 per cent more than those during the corresponding year-earlier month and were 22 per cent above the record number received in February 1964. This February increase and the January inshipments (which were up 13 per cent from a year earlier) brought total shipments to about 873,000 head for the two months.

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