How Hog Prices Should be Governed

Report of Commission to Investigate the Cost of Producing Hogs in United States

The following presents the salient features of the finding of the commission appointed by Herbert Hoover, chief of the United States Food Administration, to investigate the costs of hog production and report plans for the stimulation of the industry. It is a most scientific report reflecting great credit on the commission and those recommendations already given effect have had a marked influence in the direction intended. When a tentative price of $15.50 was assured at Chicago the hog market responded immediately and advances of $2.00 to $3.00 per hundred pounds took place in less than a week and large numbers of stock hogs have been taken back to the country.

This report is entirely based on comparative prices of hogs and the chief pork-producing grain, corn. The recommendations are that the price of select hogs per hundred pounds should be equal to the price of 14.3 bushels of corn. The report requires little elucidation and whatever is regarded as advisable is given in a foot-note following the report. All the conclusions given cannot be applied to Canada because our feeds are essentially different, but some of them could. The guaranteeing of a minimum price is something which Canadian authorities have not considered feasible, but it is certain no factor would be so fruitful of quick results. And results must be quick for most of the breeding for spring pigs is done in this country before the end of December. The report of the United States commission follows:—

"We believe that definite, stimulative action is immediately necessary if the pork supply of the nation and the nation's allies is to be sufficient to meet demands.

There is a marked feeling of uncertainty evident on the part of the producer. First and above all, confidence should be instilled so that producers will feel that when their hogs are finished for market, they will sell at a fair price—at least sufficient to cover the actual cost of production and a fair profit. In all of our deliberations we have borne steadfastly in mind the worldwide problems of supplying ourselves and our allies with meats and fats, and particularly have we kept uppermost in our thoughts the consumer. The consumer's and the producer's interests in these United States rest on a common foundation of laws, customs, economic relationships and social life.

Producers Opposed to Profiteering

We believe that the sentiment of the swine producer is overwhelmingly opposed to any unjust or profiteering arrangement that will be hurtful to the great rank and file of consuming interests. And further, that all the producer asks is a sensibly sound, economic arrangement whereby he may secure for his efforts expended in the production of pork simply the cost of production plus a fair profit. In other words, a price for his hogs that shall meet our president's definition of a just price.

We believe that under normal conditions the ordinary laws of supply and demand should rule, but in this emergency situation the results desired come too slowly, and may be out of proportion to the urgent demands of the moment. Therefore, definite, artificial stimulus and regulation are necessary in order to secure the products needed; and to insure a fair and just relationship among producers, packers and consumers.

Corn Ratio to Hog Feeding

The commission finds that the approximate equivalent value of twelve bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the ten years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

The normal number of hogs in the United States is approximately 65,000,000 as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent. above the normal.

Minimum Price for Immediate Future

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establich immediately a minimum emergency price for good to select butcher hogs of $16 per hundred pounds on the Chicago market. For the purpose of immediately stimulating production of swine for the next year, we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1918. Steps should also be taken to prevent, as far as possible, any large or sudden change in prices when they go from the minimum basis to the ratio basis. This minimum price should also apply to other markets and to other classes of market hogs with the usual or normal differentials.

We recommend that the question of price range between the various market classes and grades of hogs should be determined by a suitable committee of representative packers, livestock commission men, and representatives of this commission, the same to be appointed by Mr. Hoover.

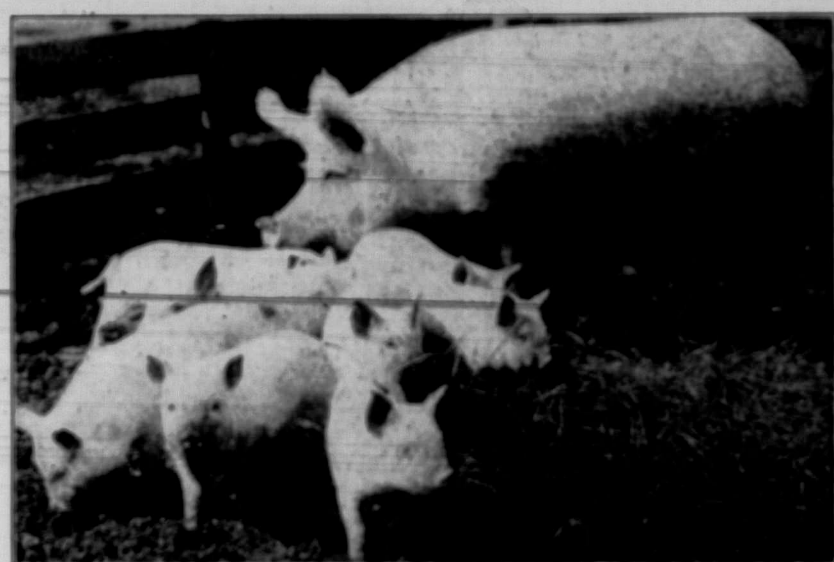
A correct price for hogs cannot be determined by using the basic corn value of the month in which this hog is marketed. This method is economically unsound and unjust, because the feed which is chargeable to this hog was consumed during the previous months.

Percentage of Corn Consumed Each Month

To establish the market value of 100 pounds of average hog, in terms of corn, a weighted average of the corn consumed by the hog or its antecedents during the period of twelve months previous to marketing must be taken into consideration. The determined approximate percentage of corn consumed for the period of twelve months of the market hog and its mother, is distributed approximately as follows:

Period	
First month	2 per cent.
Second month	2 per cent.
Third month	2 per cent.
Fourth month	3 per cent.
Fifth month	4 per cent.
Sixth month	6 per cent.
Seventh month	5 per cent.
Eight month	9 per cent.
Ninth month	15 per cent.
Tenth month	20 per cent.
Eleventh month	17 per cent.
Twelfth month	15 per cent.
Total	100 per cent.

In determining a ratio, we believe it essential that this ratio should be varied by months in accordance with the historical defferentials between the respective months as in normal times, so as not to throw our ordinary marketing, distributing and producing practices out of line. Our normal monthly historical ratios from December to April gradually increase. Thus indirectly they put a premium on the holding of the previous spring farrowed hogs to later markets, and in this manner act as differentials in favor of feeding these hogs to heavier weights. If a definite ratio of 13.3 be established, that ratio shall therefore be the average of all the months within the year, and thus necessarily not be constant throughout the entire period.



In United States they aim to have hog production 15 per cent. above normal next year, but they believe definite assurances regarding prices and wide publicity to these assurances are essential. If every farmer possible raised a litter like this next spring, the great danger would likely be averted.

We have therefore rearranged the average ratio, by months, according to the following recommended tabulated presentation:

Average Ratios on Differential Monthly Basis

Month	Avg. ratio of 11.67* (Weighted average based on 10 years 1907-16, incl.)	Avg. ratio of 12.0**	Avg. ratio of 13.3***	Avg. ratio of 14.3****
January	11.0	11.3	12.5	13.5
February	11.6	11.9	13.2	14.2
March	12.4	12.8	14.1	15.2
April	12.7	13.1	14.5	15.6
May	12.3	12.7	14.0	15.1
June	12.1	12.4	13.8	14.8
July	12.0	12.3	13.7	14.7
August	11.8	12.1	13.5	14.5
September	11.8	12.1	13.5	14.5
October	11.3	11.6	12.9	13.9
November	10.6	10.9	12.1	13.0
December	10.4	10.7	11.9	12.7
Average	11.67	11.99	13.31	14.31

*This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hog.

**This ratio represents approximate production cost.

***Represents ratio necessary to bring production back to normal.

****Represents ratio necessary to increase production 15 per cent. above normal.

Chicago Basic Market for Prices

Chicago is a basic market for corn and hogs. Therefore, we recommend that Chicago be used as the basis in any price stabilization and that adjustments of differentials, which may be found necessary in order to prevent any injustice against any section or market, be made by the food administration.

The present ratio, figured on a weighted average for late October, 1917, shows that on the basis of Chicago No. 2 corn and Chicago average hogs, that 100 pounds of average hog is selling for the low value of practically 8.8 bushels of corn; and at this time around October 25, 100 pounds of average hog is selling for the current equivalent value of only 7.4 bushels of corn. It is easy to see and fully comprehend why there has been a marked decrease in production and why thousands of light, immature and unfinished hogs have been or are being rushed to market.

In the periods of heavy loss, the future production of the industry is threatened. Swine men cannot persistently stay in a losing game even though they are intensely patriotic. They have taxes to pay and mouths to feed, and cannot be, financially speaking, good citizens in this terrible and costly war if they are engaged in a losing business.

Conditions that existed during Civil War times are particularly suggestive as regards what happens to the corn and hog ratio. These conditions are somewhat approximated by the conditions existing during the past year, so evident from the figures given below, from November, 1916, to October, 1917, same being figured on the monthly basis:

World War Ratios

Figured on current monthly values.

Month	Year	Explanatory Statements	Ratio bus.		Price of Corn per bushel
Nov.,	1916	War in progress a	9.7		102.0c
Dec.,	1916	little over two years;	10.9		92.0c
Jan.,	1917	Conditions fair.	11.1	(12.2)	99.0c
Feb.,	1917	Ratios prac. normal.	12.4	(13.4)	100.8c
Mar.,	1917		13.5		111.8c
April,	1917		10.9		144.9c
May,	1917		9.7		163.9c
June,	1917		9.2		170.7c
July,	1917	Depression	7.8		200.0c
Aug.,	1917	at its depth;	8.6		197.2c
Sept.,	1917	future breeding	8.8		208.0c
Oct.,	1917	discouraged.	8.7		198.0c

The decrease in production coincides fairly well with the decrease in the ratio so that at the present time, October, 1917, we are in a period of marked depression; depression that is reflected all the more inasmuch as it is breeding season—the vital season of the year from the production standpoint. We believe that stimulation for the present, through the establishment of fair ratios will tend largely to avoid the extreme stimulative ratios which are apparently bound to come later if hands are kept off and ordinary laws of supply and demand are allowed to rule. It is better for the producer, consumer, the government and our allies that these ratios be kept somewhat in normal line, and therefore regulation and present stimulation by the Food Administration is of paramount importance.

It is the emphatic opinion of this commission that, to secure increased production under present abnormal conditions, definite assurance of a fair price of hogs should be given to producers by the Food Administration, and that the widest possible publicity be given to whatever action is taken with reference to the hog situation. And further, it is also suggested that this information be furnished as soon as possible to livestock exchanges, state councils of defense, state food committees, administrative officers of the federal and state departments of agriculture, and various agricultural colleges, county agricultural agents, and to the general and agricultural press."

Very respectfully submitted,
(Signed)
JOHN M. EVVARD, Chairman, Ames, Ia.
LAWRENCE P. FUNK, Bloomington, Ill.
N. H. GENTRY, Sedalia, Mo.
W. A. WILLIAMS, Marlow, Okla.
J. H. SKINNER, Lafayette, Ind.
TAIT BUTLER, Memphis, Tenn.
E. W. BURDIE, Herman, Neb.

The Lesson for Canada

The above report should be clear to

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