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# Agricultural Letter

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**THE UPTURN IN HOG PRODUCTION** is progressing faster than previously indicated. According to the U.S. Department of Agriculture, hog producers in the 14 major states farrowed 15 percent more sows during the past three months than in the same period a year ago. The rise in farrowings substantially exceeded the 10 percent gain indicated by producers last fall. Moreover, farrowing intentions for the March-May period have been revised upward from a 5 percent year-to-year gain to a 10 percent rise. These developments indicate hog prices will trend downward as pork supplies rise well above year-ago levels through the latter half of 1976.

The increase in sow farrowings during the past three months coupled with a slight increase in average pigs per litter boosted hog inventories in the major states slightly above the low year-ago level as of March 1. Hogs held for breeding purposes have increased sharply and now number 10 percent more than a year ago. This buildup in breeding stock provides support to the prospects for further large gains in farrowings in the months ahead. Hogs and pigs intended for market nearly equaled the year-ago level. In general, heavyweight market hogs were below year-ago levels, while lightweight hogs were up significantly in number.

### Buildup in breeding stock paces recovery in hog inventories\*

	1976			Change from 1975 (percent)
	1974	1975	Number	
	(thousand head)			
Market hogs				
under 60 pounds	14,792	12,206	13,631	12
60-119 pounds	9,521	8,134	7,762	- 5
120-179 pounds	9,573	8,043	7,324	- 9
180-219 pounds	5,809	5,013	4,585	- 9
220 pounds or over	1,226	854	857	0
Total	40,921	34,250	34,159	0
Hogs for breeding	7,622	6,080	6,706	10
All hogs and pigs	48,543	40,330	40,865	1

\* Inventories on farms in 14 major hog producing states.

**Hog slaughter** has risen above year-ago levels during the past two weeks, based on preliminary estimates of federally inspected slaughter. For the entire first quarter, however, total commercial hog slaughter will likely be about 11 percent below the same period in 1975. Year-to-year lags in hog slaughter are expected to predominate for the next few weeks,

although consistent year-to-year gains will be evident during the latter part of the second quarter. For the entire April-June period, hog slaughter may slightly exceed that of the first quarter but still average about 5 percent short of the same period in 1975. Pork supplies for the remainder of the first half will likely register somewhat smaller year-to-year declines than slaughter if farmers continue to market heavier hogs.

Hog slaughter during the second half of this year will be well below most historical comparisons but substantially above the low levels of 1975. The 16 percent rise in the December 1975-February 1976 pig crop—reflecting both the increase in farrowings and a slightly larger average litter size—will likely result in a roughly comparable year-to-year gain in hog slaughter during the third quarter and preclude the normal seasonal decline between the second and third quarter. Further seasonal increases in hog slaughter can be expected in the fourth quarter if producers carry out their intentions to farrow 10 percent more sows than a year ago during the March-May period.

**Hog prices** have trended lower recently under the pressure of seasonally larger slaughter and increased competitive supplies of beef and poultry. Recent quotes at Omaha have averaged around \$46 per hundredweight, \$2 to \$3 below the levels of the first two months of this year but still about \$6 above a year ago. Some marginal recovery in hog prices into the early part of summer is possible. However, the uptrend will hinge heavily on whether the seasonal decline in beef production reaches expectations. The unusually low packer margins of recent weeks could also curb any significant price recovery for hogs during the second quarter.

Seasonally rising pork supplies during the remainder of this year—particularly during the latter half—suggest hog prices will likely peak much earlier this summer than in 1975. In general, second-half hog prices will average well below year-earlier levels and no doubt trend downward during most of the period. The potential slide could push hog prices below \$40 per hundredweight late in the year.

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