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December 30, 1977

# Agricultural Letter

Number 1463

**THE UPSWING IN HOG PRODUCTION** during recent months was less than previously anticipated, but sufficient to provide increased pork supplies for the next several months. The June-November 1977 pig crop was up 7 percent from the corresponding year-earlier level, according to the U.S. Department of Agriculture. The larger pig crop, coupled with prospects for a substantial increase in December 1977-May 1978 farrowings, suggests 1978 hog slaughter may be up about one-tenth. Although profits to hog producers will likely remain favorable for most of the year, declining hog prices will trim the margins substantially by the latter part of 1978.

The rise in the June-November pig crop—which was about 2 percentage points below the gain indicated in an earlier report—resulted in a surprisingly small increase in inventory numbers. As of December 1, the inventory of hogs intended for market numbered 4 percent more than a year ago. By weight distribution, market hogs weighing 60 to 219 pounds numbered 3 percent more than a year-earlier, while the inventory of those under 60 pounds was up nearly 7 percent. Hogs from these two weight categories will provide the bulk of slaughter supplies during the first and second quarters of 1978, respectively.

Hogs held for breeding purposes numbered roughly 8.8 million head as of December 1, 9 percent more than a year ago and the largest inventory for that date since 1970. In conjunction with the expanded breeding herd, sow farrowings during the six months ending in May 1978 are expected to be substantially higher. Reflecting this, farrowing intentions among hog producers in the 14 major states point to a 13 percent year-to-year gain in December 1977-February 1978 farrowings, followed by an 8 percent gain during the March-May period.

Among District states, the expansion in hog production has varied widely. The December 1 inventory of hogs intended for market in Wisconsin was up 9 percent from a year-ago, while that for Iowa—which accounts for well over one-half of all hogs in District states and one-fourth of the entire U.S. inventory—was up 6 percent. In contrast, market hog inventories in Illinois, Indiana, and Michigan ranged from 1 to 13 percent below the year-ago level. The number of hogs held for breeding purchases is up all District states except Michigan, portending increased farrowings over the next few months.

**Hog slaughter** has lagged year-earlier levels during the fourth quarter, but a turnaround is expected in early 1978. Preliminary estimates indicate hog slaughter during the October-December period fell 4

percent short of the unusually-high year earlier level. The reduced slaughter, coupled with a seasonally strong consumer demand has provided unexpected support for hog prices, particularly in recent weeks. Since mid-December, hog prices at Omaha have averaged nearly \$45 per hundredweight, \$5 above the November average and \$7 above a year ago. In the months ahead, downward pressures on hog prices are expected because of the pending increase in slaughter supplies.

Current measures suggest hog slaughter for all of 1978 may be up approximately one-tenth from this year and the highest since 1971. For the first-half of 1978, slaughter may be up about 7 percent, reflecting the rise in the June-November 1977 pig crop. An even larger increase could materialize if the slaughter/pig crop ratio returns to a more normal level from the unusual low experienced during the first-half of 1977. For the second-half of next year, slaughter may be up 12 percent or more, assuming that producers carryout their current farrowing intentions and that weather conditions permit the number of pigs per litter to return to more normal levels.

The increased pork supplies indicate hog prices will trend lower in the year-ahead. Preliminary indications suggest hog prices for all of 1978 might average around \$35 per hundredweight or slightly higher, down from about \$41 this past year. Despite the decline, lower feed costs will be mostly offsetting, leaving returns to hog producers at relatively high levels through much of the year.

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