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Agricultural Letter



Number 1423

THE UPSWING IN HOG PRODUCTION continues, although at a much slower rate than last year. The USDA's most recent *Hogs and Pigs* report indicates sow farrowings in the 14 major states rose 12 percent above the year-earlier level during the December 1976-February 1977 period, down from the 20 percent increases experienced during most of last year. Moreover, current farrowing intentions suggest the year-to-year gains will narrow to 3 and 5 percent during the March-May and the June-August quarters, respectively. Despite the slowing pork supplies will be sufficiently large to hold the lid on hog prices at least through the early part of 1978.

The 12 percent year-to-year increase in the December-February sow farrowings was slightly larger than suggested by the farrowing intentions reported by hog producers last December. Nevertheless, a marked reduction in pigs per litter held the rise in the winter pig crop to only 7 percent. The 6.8 average number of pigs saved per litter during the December-February period was down 4 percent from the year-earlier level, reflecting the extreme cold that prevailed throughout the eastern half of the United States this past winter.

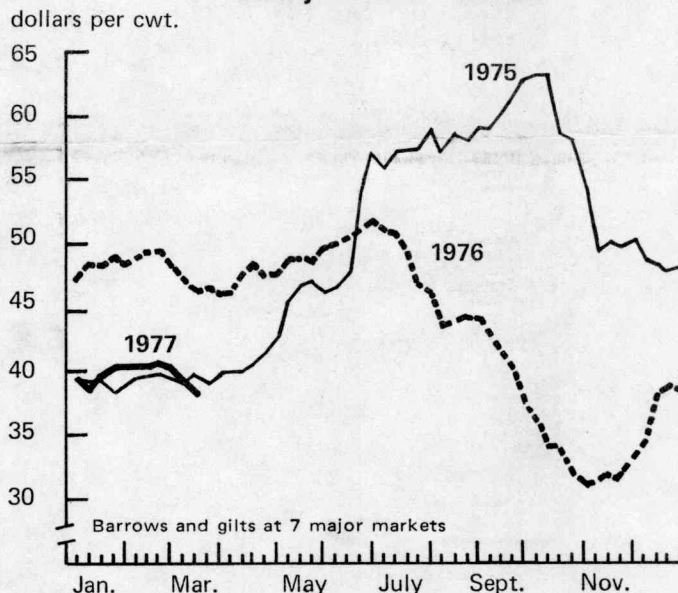
The relatively modest rise in the winter pig crop coupled with increased slaughter limited the year-to-year rise in hog inventories among producers in the 14 major states to 8 percent as of March 1. (The 14 major states typically account for about 85 percent of the entire U.S. hog inventory.) Inventories of hogs held for breeding purposes were up 5 percent, while hogs intended for market numbered nearly 9 percent more than a year earlier. Particularly large increases were reported for market hogs weighing 60 to 180 pounds, portending a large volume of hog slaughter during the second quarter.

Hog slaughter during the first quarter of this year fell somewhat short of the expectations of many observers, in part due to slow weight gains during the extremely cold winter months. Based on preliminary estimates, federally inspected hog slaughter through the first 11 weeks of this year was up 13 percent from the year-earlier level, substantially below the earlier anticipated gains of 17 to 19 percent.

Slaughter projections for the remainder of 1977 hinge largely on the size of the pig crop during the past six months, as well as current farrowing intentions for the March-May 1977 period. The large number of pigs farrowed during the three months ending in November of last year indicates commercial hog slaughter in the second quarter could be up nearly one-fifth from the low year-earlier level. An even larger increase could occur, however, if the weather-related poor weight gains experienced last winter result in bunched marketings during the second quarter.

Hog slaughter during the summer quarter is expected to decline seasonally, but remain nearly one-

Hog prices down sharply from year-earlier levels



tenth above the year-earlier level. The current indication that producers intend to farrow 3 percent more sows during the March-May period suggests fourth-quarter slaughter, while rising seasonally, may fall somewhat short of the exceptionally heavy volume of marketings during the same period in 1976. It should be noted, however, that many observers suggest the higher hog prices experienced since last November will push the increase in actual March-May farrowings somewhat above the rise indicated by the current intentions of hog producers, portending an even larger volume of fourth-quarter marketings.

Hog prices for the remainder of this year will likely follow a roller coaster pattern while averaging below the estimated first-quarter level of just over \$39 per hundredweight at major markets. The prospective large increase in hog slaughter during the second quarter, coupled with large beef supplies, will likely push hog prices to the low- to mid-\$30 per hundredweight range. A general uptrend could boost prices into the mid- to high-\$30 range in the third quarter if beef and pork supplies follow the anticipated seasonal declines. Hog prices during the fourth quarter, however, are expected to trend lower, although current reports suggest the decline may not carry to the extremely low levels experienced during the latter part of 1976.

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