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Agricultural Letter

July 1, 1977

Number 1437

THE UPSWING IN HOG PRODUCTION was interrupted at least temporarily during the past few months. A recent U.S. Department of Agriculture (USDA) report indicated sow farrowings fell nearly 1 percent short of the year-earlier pace during the March-May 1977 period, in marked contrast to the 3 to 5 percent gains generally anticipated. The downturn held the year-to-year increase in the December 1976-May 1977 pig crop—an important barometer of second-half pork supplies—to only 2 percent. Current farrowing intentions, however, suggest that the upturn in production may resume in the months ahead, portending larger first-half pork supplies in 1978.

The nominal increase in the December-May pig crop, in conjunction with a sharply higher level of slaughter and an apparent increase in death losses, held the June 1 inventory of all hogs and pigs at 54.1 million head, unchanged from a year ago and departing substantially from the 5 to 7 percent increase anticipated by many observers. The inventory of breeding hogs was up 2.2 percent, while the number of hogs intended for market was down slightly from the year-earlier level. By weight categories, market hogs weighing 120 to 219 pounds numbered 4.4 percent more than a year ago, while the inventory of hogs weighing less than 120 pounds was down 2.0 percent.

The surprisingly low inventory numbers and the nominal increase in the December-May pig crop reflect the effects of last winter's extreme cold and perhaps the rapidly spreading disease known as pseudorabies. The extreme cold of last winter resulted in sharply higher death losses of newborn pigs. Reflecting this, pigs saved per litter among producers in the 14 major states dropped to 6.78 during the December 1976-February 1977 period, down from 7.11 during the same months the previous year. Although herds affected by pseudorabies represent only a minute portion of all hog producers, the disease has grown rapidly in recent years—particularly in the major hog states of Iowa, Illinois, and Indiana. Among other things, the viral disease causes high death losses in newborn pigs, aborting problems in pregnant sows, and a low rate of conception among sows rebred after infection.

Hog slaughter during the first half of 1977 fell short of expectations, but nevertheless exceeded the year-earlier level by about 13 percent. The rise in slaughter held hog prices well below a year ago. During the first six months of this year, barrow and gilt prices at major markets averaged slightly under $40 per hundredweight, down from $48.50 during the same months in 1976. Despite the drop, prices were sufficiently high to generate profits for most producers, which no doubt was a factor behind the stepped-up farrowing intentions for the June-November period.

Hog slaughter during the remainder of this year will be composed largely of the pigs born during the six months ending last May. Based on the current estimate of the December 1976-May 1977 pig crop, it would appear that second-half 1977 slaughter might fall about 2 percent below the exceptionally large volume during the same period in 1976. Taken individually, it is anticipated that third-quarter slaughter may run slightly above the year-earlier level, while fourth-quarter slaughter is expected to be well below the high level of a year ago—although up seasonally from the third quarter.

First-half 1978 slaughter will largely reflect the size of the June-November 1977 pig crop. According to the USDA, producers currently intend to boost sow farrowings nearly 5 percent during this period. Such an increase, if it materializes and if the number of pigs saved per litter were to return to normal levels, would provide the basis for an even larger increase in first-half 1978 slaughter.

Hog prices for the remainder of this year will likely exceed previous expectations. In addition to lower pork supplies, other supporting factors include prospects for lower competing supplies of beef and higher consumer incomes. Because of seasonally lower supplies, third-quarter prices may well average above the $41 per hundredweight registered during the second quarter and will cause upward pressures on retail pork prices. Although a downtrend will probably be evident in the fourth quarter, hog prices should hold well above the October-December 1976 average of $34.25 per hundredweight. Overall, the anticipated hog prices plus the possibility of lower feed prices—if the current corn crop achieves its potential—suggest that profits for most hog producers will remain favorable throughout this year, which in turn could prolong the upswing in hog production well into next year.

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