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Agricultural Letter

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HOG PRICES have increased sharply reversing the steep downtrend that had prevailed since mid-February. Prices of hogs at Omaha averaged \$29 per hundredweight during the week ended June 22, up from \$22.50 one week earlier but still short of the mid-February high of \$41. The recovery in prices gained further momentum early this week—rising to \$34—mainly in response to the U.S. Department of Agriculture's *Hogs and Pigs* report that indicated the smallest spring pig crop in nine years, lower inventory numbers, and prospects for a continuing decline in farrowings.

The sharp decline in hog prices from mid-February through early June largely reflected the marked increase in both pork and beef supplies. Preliminary evidence indicates second-quarter hog slaughter rose 12 percent above the low level of a year earlier. The expanded volume of hog marketings, plus a large increase in average slaughter weights, boosted commercial pork production 16 percent above a year earlier. Simultaneously, beef production jumped to a record high, exceeding the comparatively low second-quarter 1973 level by an estimated 14 percent.

Hog and pig numbers have fallen below the year-earlier level, reflecting the large increase in slaughter during April and May and a 2.4 percent decline from a year ago in the spring pig crop (December 1973-May 1974). According to the U.S. Department of Agriculture, the June 1 inventory of all hogs and pigs on U.S. farms totaled 59.4 million head, down 1 percent from a year ago and the lowest level for that date since 1969. Hogs held for breeding purposes numbered 1.5 percent fewer than a year ago—marking a seven-year low—while the inventory of hogs and pigs intended for market was down nearly 1 percent.

The inventory of market hogs continues to indicate a comparatively large number of heavyweights. For example, the inventory of hogs weighing 180 pounds or more was 9 percent above the year-earlier level, while hogs weighing 60 to 179 pounds numbered 1 percent fewer. The inventory of pigs weighing less than 60 pounds was down nearly 3 percent from June 1 of last year.

Hog slaughter during the last half of 1974 is likely to exceed year-earlier levels despite the reductions in the inventory of market hogs and the pig crop. Last year, hog slaughter accounted for an unusually small proportion of the inventory and pig crop estimates. If the more traditional relationships prevail in the months ahead—as they did in the first half—the latest inventory and pig crop estimates indicate that hog

slaughter during the second half might exceed the corresponding year-earlier level by 7 to 10 percent. Despite the possible large increase, however, second-half hog slaughter will fall far short of the 1971 record and, with the exception of last year, may be the lowest since 1966.

More distant slaughter projections are best reflected in producers' intentions to farrow nearly 2 percent fewer sows compared to a year ago during the June-November 1974 period. The possible reduction in farrowings, combined with the recent downtrend in average pigs per litter, could result in a 2 to 3 percent decline in the June-November pig crop. Pigs saved per litter during the December 1973-May 1974 period averaged 7.07, down from 7.15 a year ago and the preceding five-year average of 7.31.

The outlook remains cloudy, but hog prices are likely to fluctuate well within the highs and lows established earlier this year, perhaps averaging in the low to mid-30s during the second half. Since the bulk of the larger inventories of heavyweight hogs probably have been marketed already, the current seasonal recovery in hog prices may continue irregularly upward for a few more weeks. Further gains in prices, however, may be limited by the continuing, but possible narrowing, trend in heavier slaughter weights and by the bulging cold storage stocks of red meat. As of June 1, pork stocks in cold storage were 61 percent above the low level of a year ago, while beef stocks were up 37 percent. Recent jawboning efforts by the Administration appear to have resulted in some retail price concessions which should strengthen consumption and provide a more orderly flow of pork through the marketing system. Commercial beef production is not expected to match the record-setting pace of the past few months, indicating pressures on hog prices may be somewhat reduced during the second half. However, the slaughter of grass-fed cattle may hold total beef supplies above the low levels of a year ago despite the prospective declines in slaughter of grain-fed cattle.

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AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	May	175	- 4	+ 7
Crops	1967=100	May	201	- 2	+31
Livestock	1967=100	May	158	- 7	- 7
Paid by farmers	1967=100	May	165	+ 1	+15
Production items	1967=100	May	166	- 1	+16
Family living items	1967=100	May	159	+ 1	+17
Ratio of prices received to prices paid	1967=100	May	106	- 5	- 7
Consumer price index (all items)	1967=100	May	146	+ 1	+11
Food at home	1967=100	May	160	+ 1	+17
CASH FARM PRICES (U. S. average)					
Corn	dol. per bu.	May	2.54	+ 2	+52
Soybeans	dol. per bu.	May	5.21	+ 1	-37
Wheat (all)	dol. per bu.	May	3.52	-12	+64
Sorghum grain	dol. per cwt.	May	3.59	- 5	+35
Oats	dol. per bu.	May	1.27	+ 2	+60
Beef steers and heifers	dol. per cwt.	May	39.10	- 5	-14
Hogs	dol. per cwt.	May	26.30	-14	-25
Milk, all sold to plants	dol. per cwt.	May	8.56	- 3	+34
Milk cows	dol. per head	May	531	- 2	+ 9
Chickens, broilers, live	cents per lb.	May	20.6	- 3	-13
Eggs	cents per doz.	May	42.0	-17	- 8
INCOME (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	1st Qtr.	103.0	+ 2	+42
Net farm income	bil. dol.	1st Qtr.	28.2	- 7	+18
Nonagricultural personal income	bil. dol.	April	1,073.5	+ 1	+10
FARM FINANCE					
Total deposits at agricultural banks ¹	1967-69=100	May	201	- 1	+15
Time deposits	1967-69=100	May	249	+ 1	+18
Net demand deposits	1967-69=100	May	153	- 4	+12
Total loans at agricultural banks ¹	1967-69=100	May	222	- 1	+16
Production Credit Associations					
loans outstanding:					
United States	mil. dol.	April	8,515	+ 4	+19
Seventh District states	mil. dol.	April	1,380	+ 2	+13
new loans made:					
United States	mil. dol.	April	1,296	- 3	+27
Seventh District states	mil. dol.	April	232	-13	+28
Federal Land Bank Associations					
loans outstanding:					
United States	mil. dol.	April	11,878	+ 2	+22
Seventh District states	mil. dol.	April	2,113	+ 2	+17
new loans made:					
United States	mil. dol.	April	310	0	+34
Seventh District states	mil. dol.	April	56	-27	+56
Interest rates					
		week ended			
Three-month Treasury bills	percent	6/19	8.19	+ 1	+13
Federal funds rate	percent	6/19	11.85	+ 2	+39
Government bonds (long-term)	percent	6/19	8.09	0	+15
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	March	2,106	+10	+49
Agricultural imports	mil. dol.	March	992	+23	+49
FARM MACHINERY SALES					
Farm tractors	units	March	20,082	+65	-13
Combines	units	March	1,236	+64	+10
Balers	units	March	1,192	+65	- 7

¹ Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.