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Agricultural Letter

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HOG PRODUCTION is being curtailed in response to high feed costs and declining profits. According to the U. S. Department of Agriculture, hogs and pigs on farms in the 14 major producing states numbered slightly more than 50 million head as of September 1, down 4 percent from a year earlier. The lower inventory largely reflects the reduced June-August pig crop, down 4 percent from a year ago. Even larger cutbacks are in store if farmers carry out their intentions to reduce September-February farrowings by 10 percent from a year earlier.

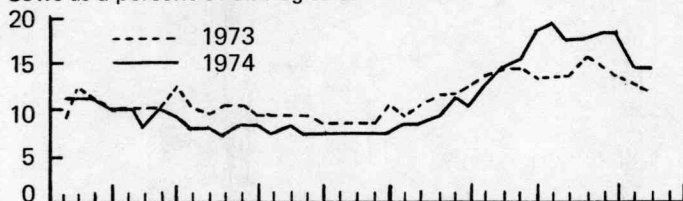
The September 1 inventory of market hogs and pigs totaled 44.4 million head, down 3 percent from last year. Heavyweight hogs, 180 pounds or more, numbered 4 percent more than a year ago, while hogs in the middleweight categories, 60 to 180 pounds, were down 1 percent. The inventory of pigs weighing less than 60 pounds was down 7 percent from September 1, 1973. Reflecting farmers intentions to cut farrowings in upcoming months, hogs kept for breeding purposes were down 10 percent from a year ago.

the early part of this year, rising corn prices have exerted continued downward pressure on the hog-corn ratio since June.

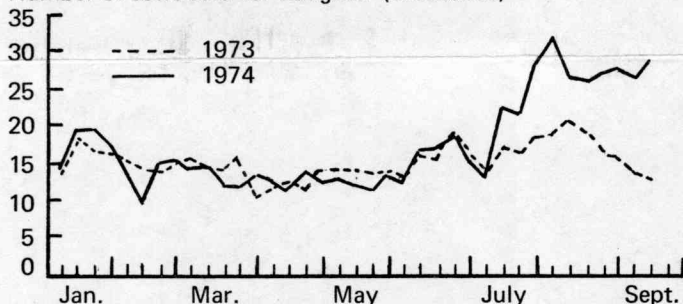
Total corn production will undoubtedly drop as a result of the early freeze that blanketed a large sector of the northwestern Corn Belt this week. Although it will take several weeks to make an accurate assessment of the damage, it is certain that the freeze will mean a larger proportion of wet corn and more corn silage, and a reduced harvest of high-quality, storable corn that can be utilized for livestock feed. Consequently, corn prices will probably hold somewhere near recent high levels throughout the next corn marketing year (October 1 to September 30, 1975).

Weekly Sow Slaughter Increases¹

Sows as a percent of all hog sales



Number of sows sold for slaughter (thousands)



¹Seven major markets.

Breeding stocks were liquidated at an increasingly rapid pace in July and early August as deteriorating crop conditions boosted feed prices. In recent weeks sow sales at major Midwest markets have been as much as 50 percent above year-ago levels. This reflects the declining hog-corn ratio (a rough estimate of profitability) which has been at its lowest level in more than a decade during recent months. While lower hog prices were mainly responsible for the decline in

Hog slaughter has been running 18 to 20 percent above 1973 rates in recent weeks and will probably continue to exceed year-earlier levels through early October. If only market hogs were a factor, slaughter rates should drop slightly below year-earlier levels in late 1974. However, it is possible that continued liquidation of breeding stock may hold slaughter at or above year-ago rates throughout most of 1974. Nevertheless, the lower inventory of lightweight market hogs and lower September-February farrowing intentions point toward a sharp drop in marketings during the first half of 1975, probably down 8 to 10 percent from the first-half 1974 level.

Hog prices have dropped to the mid-\$30s after reaching nearly \$40 per hundredweight in mid-August. Prices should begin to strengthen soon and may reach the \$40 range again by year-end, with additional price hikes likely in early 1975. These, however, may be somewhat limited by increasing beef supplies. There will likely be a substantial increase in lower grade cattle marketings as a result of downward adjustments in total cattle inventory numbers. The lower grade beef competes more directly with pork products. Hog and cattle futures contracts for mid-1975 currently have a \$2 spread in favor of hogs. Although the spread could go slightly higher, increasing beef supplies are likely to limit advances in 1975 hog prices. But, as indicated by current futures contracts, hog prices could go to the high \$40s by midyear.

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