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December 26, 1975

PORK SUPPLIES will remain low for several more months, but prospects for year-to-year gains during the second half of 1976 have strengthened. A recent report by the U.S. Department of Agriculture indicates the June-November pig crop—which will supply the bulk of first-half 1976 hog marketings—was 8 percent short of the year-earlier level. Although somewhat less than anticipated, the decline marked a 21-year low for the fall pig crop. Prospects of larger pork supplies in the second half of 1976 were strengthened by the evidence of a buildup in the inventory of hogs held for breeding purposes and by a significant upward revision in intended farrowings during the December 1975-February 1976 period.

The inventory of hogs and pigs on U.S. farms totaled 49.6 million head on December 1, down 10 percent from the year-earlier level. Hogs held for breeding purposes, however, numbered 3 percent more than a year earlier, while the inventory of hogs and pigs intended for market was down 12 percent. By weight categories, market hogs and pigs weighing less than 120 pounds numbered 10 percent less than a year earlier, while the inventory of those weighing 120 to 219 pounds was down 16 percent.

Surprisingly, inventories in the 14 major hog producing states were down more than those in other states. For example, the inventory of market hogs was down 13 percent in the 14 major states but down only 4 percent in other states. Similarly, hogs held for breeding purposes numbered only 1 percent more than a year earlier in the major states but 12 percent more in the other states.

Farrowing intentions for the December 1975-May 1976 period point to an 8 percent rise nationally, the first gain since 1971. Based on the 14 major states for which farrowing intentions are reported quarterly, the rise during the first half of the period will exceed earlier expressed intentions, while the first evidence of the March-May increase is smaller than most observers anticipated. Farrowing intentions for the December-February period now point to a 10 percent rise from the year-earlier level, up from the 6 percent increase reported in September. Farrowings during the March-May period, however, may exceed the corresponding year-earlier level by only 5 percent if producers carry out intentions reported earlier this month. Many observers had expected a rise of 10 to 15 percent or more during the March-May period.

The less-than-anticipated March-May increase in prospective farrowings no doubt reflects the marked declines in hog prices since October. Moreover, a less-

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than-proportional decline in corn prices has resulted in a somewhat lower hog/corn price ratio. Nevertheless, the current hog/corn price ratio of around 19, coupled with the relatively high hog prices anticipated for the next few months, would normally be conducive to more farrowings than indicated by the recent intentions reported for the March-May period.

Hog slaughter may register slight seasonal increases during the next two quarters, but it will remain below year-earlier levels throughout most of the first half of 1976. Overall, it would appear that commercial hog slaughter during the first half may average around 7 to 8 percent below the corresponding year-earlier level. Reflecting the weight distribution of market hogs, comparatively larger declines are expected in the first quarter than in the second quarter. Pork supplies for the first half may register a somewhat smaller decline than slaughter if farmers continue to hold hogs to heavier market weights.

Slaughter during the second half of 1976 will closely parallel the December 1975-May 1976 pig crop. Since breeding decisions for the December-February farrowings have already been made, the 10 percent rise in farrowings for this period represents a reasonable proxy for projected third-quarter slaughter gains. Farmers still have time to alter their March-May farrowing intentions, however, which might result in somewhat larger slaughter increases than presently indicated for the fourth quarter.

Hog prices have hovered at the \$48 per hundredweight level in recent weeks, up about \$10 from a year earlier but well below the highs of around \$63 recorded in early October. Some slight seasonal increase would appear likely, although the first-quarter 1976 average may not top the \$52 average of the past three months. Competitive supplies of beef are expected to register a slight seasonal decline during the first quarter. However, beef and broiler production will both exceed year-earlier levels, and the composition of beef will likely contain a higher proportion of fed cattle.

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