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July 2, 1976

Agricultural Letter

 Walter D. Williams
 Division of Agricultural Economics

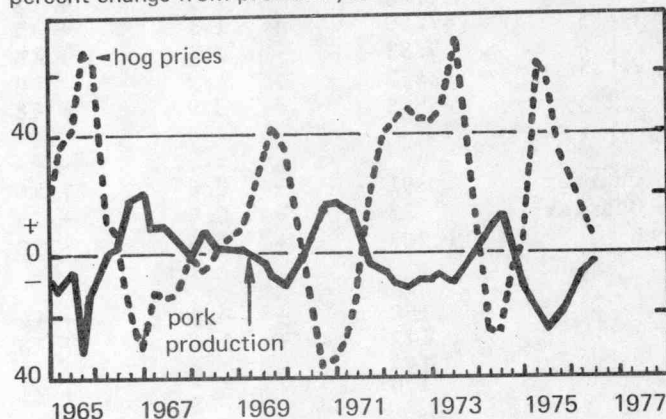
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THE UPTREND IN HOG PRODUCTION continued unabated in recent months, and further significant gains appear likely for the second half. The spring pig crop (December 1975-May 1976) was 16 percent above the year-earlier level, according to the U.S. Department of Agriculture. A slightly larger increase is expected in the fall pig crop (June-November 1976) if producers expand farrowings in line with current intentions. These developments suggest pork supplies will be well above the unusually low year-ago levels for at least the next 12 months and that hog prices will be well below the average of the past year.

Changes in pork production lead to wide swings in hog prices

percent change from previous year



The expansion in the spring pig crop helped boost the June 1 inventory of all hogs and pigs on farms to 52.6 million head. The higher level is up 9 percent from a year earlier, but 11 percent short of the comparable date in 1974 and 20 percent below the 1971 peak. The inventory of hogs held for breeding purposes was up 11 percent, while hogs intended for market numbered nearly 9 percent more than a year ago. With the exception of a decline in the small number of hogs weighing 200 pounds or over, inventory gains—ranging from 1 to 14 percent—were reported for all the various weight categories of market hogs.

Hog slaughter will rise above year-earlier levels for the first time in six quarters during the next three months and will likely continue to hold the year-to-year gains at least through mid-1977. Based on past relationships between slaughter, spring pig crops, and midyear inventories, it would appear that commercial hog slaughter during the second half of this year might rise about 14 percent above the year-earlier mark. Despite the large rise second-half pork supplies will still be comparatively low, perhaps the lowest since

the mid-sixties with the exception of last year. On a seasonal basis it appears probable that hog slaughter will trend upward during the next two quarters, in marked contrast to the strong historical precedence for a third-quarter seasonal low in hog slaughter.

Slaughter projections for the first half of 1977 are perhaps best reflected in producers' farrowing intentions. The USDA recently indicated hog producers intend to farrow 17 percent more sows during the June-November 1976 period than in the same months a year ago. Based on reports from producers in the 14 major states who provide quarterly intentions, the rate of increase in farrowings might approximate 16 percent during the June-August period and then rise to 19 percent in September-November. While such increases are possible, historical relationships would suggest that hog producers will have to expand breeding herds above the June 1 level if they achieve the intended rise in June-November farrowings. Nevertheless, the June-November pig crop will substantially exceed the low levels of the past two years and provide further large gains in hog slaughter during the first half of 1977.

Hog prices are expected to trend downward during most of the second half as a result of the prospective increase in supplies. However, profits to producers will likely remain at a fairly high level, particularly if crop developments foster lower feed prices this fall. The recent average of around \$51 per hundredweight at Omaha could well represent the summer peak in hog prices, albeit much sooner than the normal seasonal high. Supplies of beef and poultry represent major factors that will govern the rate of decline in hog prices. For the third quarter supplies of both beef and poultry are expected to exceed year-earlier levels, although the magnitude of the year-to-year gains will likely narrow from the first-half experience. While poultry supplies are expected to continue above year-earlier levels in the fourth quarter, beef supplies will likely be down, reflecting the prospective decline in nonfed cattle slaughter as well as the recent drop in placements of cattle on feed. The latter developments might help support hog prices in the low \$40 per hundredweight range during the last quarter of this year.

Gary L. Benjamin
 Agricultural Economist

AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	May	192	+ 1.6	+ 5
Crops	1967=100	May	200	+ 3.6	+ 1
Livestock	1967=100	May	185	- 0.5	+ 8
Paid by farmers	1967=100	May	193	0	+ 7
Production items	1967=100	May	196	- 0.5	+ 7
Wholesale price index (all commodities)	1967=100	May	182	+ 0.3	+ 5
Foods	1967=100	May	183	+ 0.6	+ 3
Processed foods and feeds	1967=100	May	180	+ 1.1	+ 1
Agricultural chemicals	1967=100	May	190	- 0.5	- 11
Agricultural machinery and equipment	1967=100	May	181	+ 0.8	+ 8
Consumer price index (all items)	1967=100	April	168	+ 0.4	+ 6
Food at home	1967=100	April	178	+ 0.2	+ 4
CASH PRICES					
Corn	dol. per bu.	May	2.61	+ 6.1	- 2
Soybeans	dol. per bu.	May	4.87	+ 7.7	- 3
Wheat	dol. per bu.	May	3.43	- 2.0	- 1
Sorghum	dol. per cwt.	May	4.14	+ 0.2	- 2
Oats	dol. per bu.	May	1.47	+ 2.1	- 5
Steers and heifers	dol. per cwt.	May	39.40	- 2.7	+ 3
Hogs	dol. per cwt.	May	47.50	+ 1.1	+ 5
Milk, all sold to plants	dol. per cwt.	May	9.33	- 0.4	+ 16
Broilers	cents per lb.	May	24.7	+ 4.2	0
Eggs	cents per doz.	May	55.5	+ 3.9	+ 18
INCOME (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	1st Quarter	91	- 0.8	+ 10
Net realized farm income	bil. dol.	1st Quarter	22	- 6.4	+ 25
Nonagricultural personal income	bil. dol.	March	1,297	+ 0.6	+ 10
FARM FINANCE					
Total deposits at agricultural banks ¹	1972-73=100	May	150	+ 0.5	+ 14
Time deposits	1972-73=100	May	172	+ 1.4	+ 18
Demand deposits	1972-73=100	May	119	- 1.6	+ 9
Total loans at agricultural banks ¹	1972-73=100	May	170	+ 5.5	+ 21
Production credit associations					
loans outstanding:					
United States	mil. dol.	April	11,421	+ 2.7	+ 11
Seventh District states	mil. dol.	April	2,013	+ 2.6	+ 19
loans made:					
United States	mil. dol.	April	1,714	- 11.3	+ 18
Seventh District states	mil. dol.	April	348	- 16.6	+ 17
Federal land banks					
loans outstanding:					
United States	mil. dol.	April	16,946	+ 1.5	+ 17
Seventh District states	mil. dol.	April	3,177	+ 1.9	+ 21
new money loaned:					
United States	mil. dol.	April	347	- 21.2	+ 6
Seventh District states	mil. dol.	April	83	- 43.0	+ 20
Interest rates					
Feeder cattle loans ²	percent	1st Quarter	8.77	- 0.5	- 2
Farm real estate loans ²	percent	1st Quarter	8.96	- 0.1	0
Three-month Treasury bills	percent	5/27-6/2	5.53	+ 1.7	+ 6
Federal funds rate	percent	5/27-6/2	5.54	+ 0.7	+ 6
Government bonds (long-term)	percent	5/31-6/4	8.10	- 0.9	- 1
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	March	1,873	+ 9.2	- 2
Agricultural imports	mil. dol.	March	960	+ 25.0	+ 28
FARM MACHINERY SALES					
Farm tractors	units	March	17,682	+ 68.9	+ 25
Combines	units	March	1,396	+ 75.6	- 7
Balers	units	March	873	+ 38.6	+ 10

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

² Average of rates reported by district agricultural banks.