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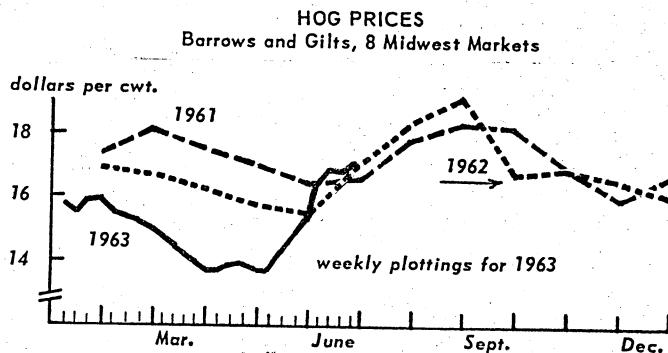
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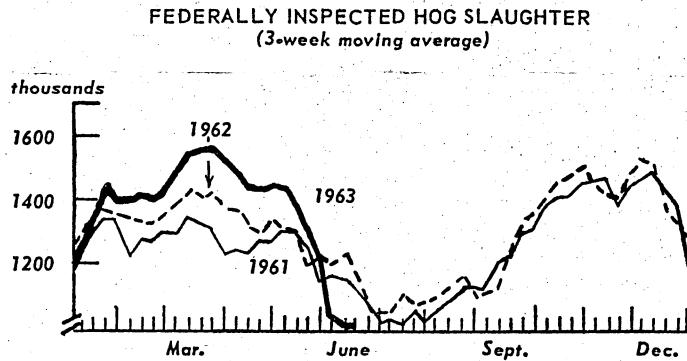
Federal Reserve Bank of Chicago -

June 28, 1963

HOG PRICES have shown a surprisingly sharp recovery since the first quarter of the year. In the week ending April 6 the average price for barrows and gilts at eight midwestern markets dropped to a low of \$13.67 per hundredweight. This was about \$2.00 per hundredweight decline from the first of the year and about \$2.50 per hundredweight below the year-earlier level. However, by the last week in May prices had risen to \$16.55, an increase of nearly \$3.00 from the early April low. Since the beginning of June, hog prices have risen nearly \$1.00 per hundredweight and are presently about the same as last year's level.



The explanation for this sharp recovery in hog prices is to be found in the pattern of slaughter through April and June. The estimated number of hogs slaughtered under Federal inspection in the United States was about 7 per cent above last year's level during the month of April. During the last half of May, however, hog slaughter dropped to slightly below the year-earlier level, and in June federally inspected hog slaughter has been running below last year.



A recent survey indicates that the total number of pigs born during the December-May period was 1 per cent above the corresponding period of a year earlier. Slight increases in the pig crop in the heavy producing North Central region and in the West were partially offset by small decreases in the other sections of the country.

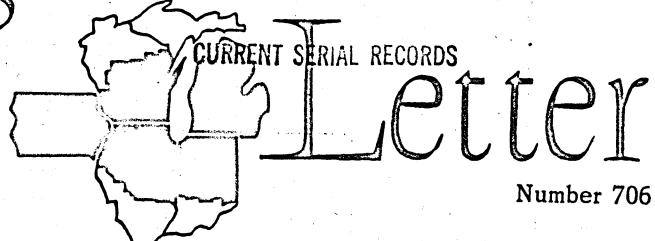
Hog producers in ten states, which account for about three-fourths of the hogs produced in the United States, reported the number of sows bred and intended

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for farrowing in June, July and August to be 3 per cent more than were farrowed a year earlier. Sows intended for farrowing during September-November in these states are expected to be unchanged from the corresponding period of last year.

Judging from the monthly farrowings, the number of hogs marketed during the next three months would be expected to be about the same as the year-ago levels, but marketings for the last three months of the year will probably be slightly higher than in 1962.

Hog prices probably will not go as high as last year but should continue at about present levels through the summer and early fall. Although receipts during the summer months will be about in line with a year ago, there are more beef and broilers to compete with pork and also more pork in storage—all factors which will temper any further price advance. Late fall prices will be down from the summer high but will probably be close to last fall's prices.

Hog price prospects in early 1964 also appear fairly good if farmers' current intentions for fall farrowings are carried out.

Population will continue to increase, consumers' income is expected to maintain an upward trend and while the total meat supply will likely be above recent levels, it is not expected to be as large as in the first quarter of 1963.

Farmers' intentions, of course, can be and often are revised. Changes in prices and feed grain prospects during the next month or so can still affect late fall farrowings. However, these farrowings would not affect marketings and prices before the late spring and early summer of 1964.

In recent years, the total demand for pork at best has about held constant. In addition the demand for pork has become more inelastic; that is, even a small increase in hog production probably would be accompanied by a significantly greater downward movement in price. By the same token, a small reduction in hog production would result in a stronger improvement in hog prices. Therefore, it becomes increasingly important to producers to provide a fairly steady volume of pork to consumer markets.

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