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Federal Reserve Bank of Chicago - -

July 1, 1966

PORK PRODUCTION is expected to increase during the last half of this year and the early part of 1967. The 1966 spring (December-May) pig crop—the bulk of which will be marketed in the last six months of this year—is now estimated at 47.0 million head, about 10 percent above the 42.9 million farrowed in the same period a year earlier. Furthermore, farmers' intentions as of early June indicate a 10 percent increase in the number of sows farrowed during the fall period (June-November). Assuming the present trend of larger litter size continues and these farrowing intentions are actually carried out, the fall pig crop will total 41.8 million or 10 percent above last year. This combined with the increased spring pig crop would bring the total for the 1965-66 year to 88.8 million head—10 percent more than last year and about the same as the 1964 pig crop.

Hog Production Continues to Expand

	Farrowings, change from year ago			
	Winter (Dec-Feb)	Spring (Mar-May)	Summer (June-Aug)	Fall (Sept-Nov)
	(percent)			
Indiana	6	14	11	18
Illinois	6	6	8	4
Iowa	4	7	7	5
Wisconsin	-1	7	14	5
10 Corn Belt states	6	8	9	7

The current uptrend in hog production started late last year as hog producers increased the number of sows farrowing relative to the year-earlier level. Relatively high hog prices and a hog-corn ratio well above the long-term average during the first half of this year have supported continued production expansion.

As a result of the increased farrowings late last fall and during the December-February period, hog marketings have approached the previous year's level. During the first two weeks in May, hog slaughter exceeded the level of the 1965 period, but since that time it has been slightly below the year-earlier average. During the first three weeks in June, hogs slaughtered under Federal inspection averaged about 2 percent less than during the similar 1965 period. Total pork production, however, has edged closer to last year's rate because the slaughter weight of hogs since April has averaged about 10 pounds above 1965 levels. Hog slaughter is currently at a seasonal low and will begin to increase in coming weeks as the pigs farrowed in spring reach market weights. Hog slaughter is usually at its fall peak during October or November.

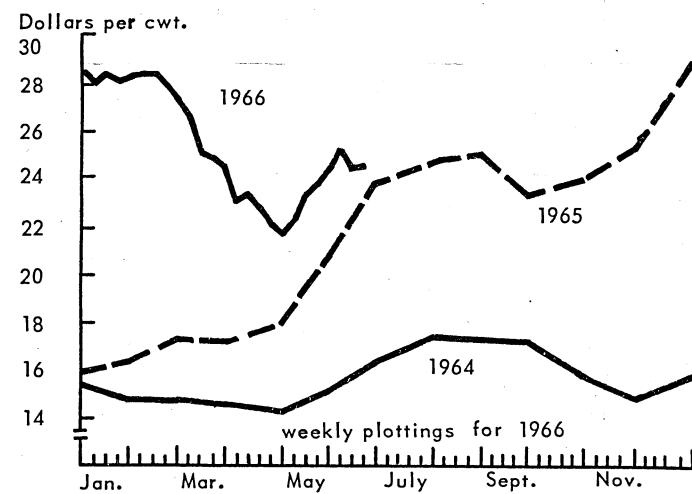
Hog marketings during the remainder of this year will increase substantially above the year-earlier levels. A survey by the U. S. Department of Agriculture on June 1 indicated about 7 percent more hogs on farms in the 10 major hog producing states. The number of hogs weighing 120 pounds or more was about the same as last year at that time, but those under 120 pounds numbered 8 percent more than a year ago. The bulk of these lighter weight hogs will be marketed during the next six months.

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Hog Prices Approach 1965 Level barrows and gilts, Chicago



Although averaging above the year-earlier levels, hog prices declined from January to April. Barrows and gilts at Chicago averaged \$23.48 in April—the lowest since September 1965—but have risen seasonally since that time. During the first three weeks in June, barrows and gilts at Chicago averaged \$24.54 per hundredweight, only \$1.40 above the same period in 1965. Prices are expected to average slightly below their 1965 levels during July and drop substantially in August and September when the expanded spring crop goes to market. During the last quarter of the year, prices should average below their very high year-earlier levels in response to the indicated larger volume of marketings in these months.

The longer-term outlook for the hog business appears favorable at least through the early part of 1967. Although hog slaughter likely will average above this year's levels if present fall (September-November) farrowing intentions are carried out, the planned hog expansion does not appear to be rapid enough to force hog prices in the early part of next year to the low levels of 1963 and 1964. Farmers, however, may revise these plans which depend on the progress of the corn crop and summer hog prices. A corn crop smaller than 4 million bushels could result in upward pressures on corn prices and cause the hog-corn ratio to decline, tending to limit further expansion in hog production.

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