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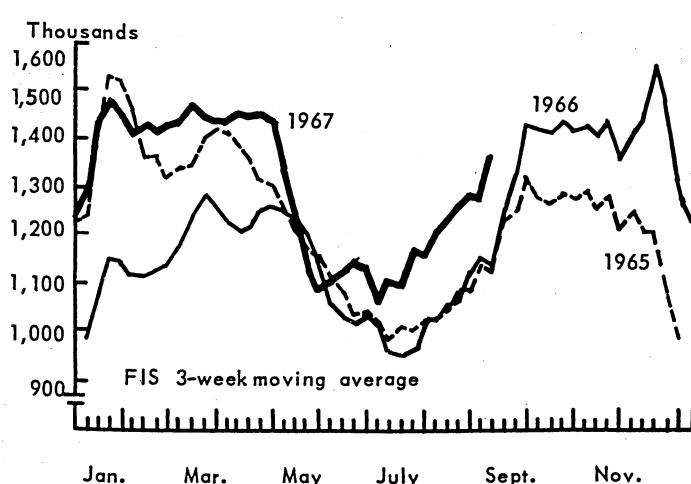
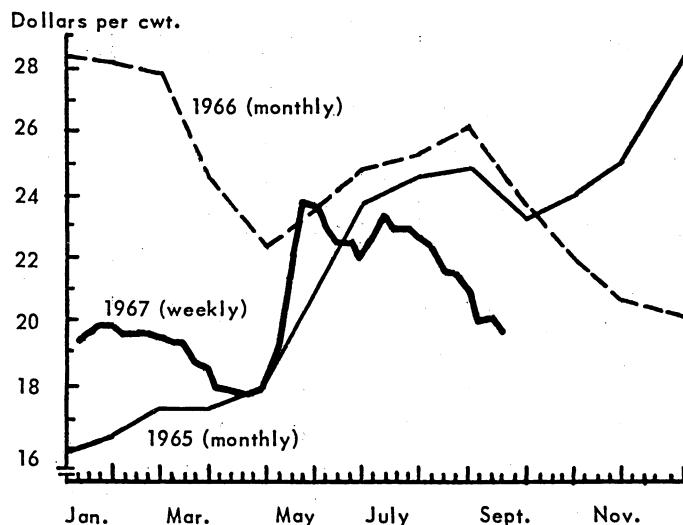
Federal Reserve Bank of Chicago --

September 29, 1967

HOG PRICES may improve slightly during the remaining months of the year in contrast to the normal seasonal decline. This is indicated by the recent pig crop report for ten major hog producing states in the Corn Belt showing about 2 percent fewer hogs on farms as of September 1 compared with a year ago. These states account for around four-fifths of the hogs produced in the nation and usually provide a reliable indication for total production.

Prices of hogs have been under pressure since early in the year because of the very large supplies of pork and other competing meats. At Chicago prices had moved up rather sharply during the latter part of May-reaching about \$24 per hundredweight--after which they trended sharply lower. Prices of barrows and gilts at Chicago in recent weeks have averaged slightly less than \$20 per hundredweight--down about \$4 from prices posted in May and more than \$3 under the year-ago level.

Hog Prices Decline Sharply...



Slaughter of hogs under Federal inspection over the same period averaged well above year-earlier levels. Al-

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though hog slaughter was declining seasonally during June and July, it exceeded the slaughter a year earlier by about 12 percent. During August, Federally inspected hog slaughter averaged about 14 percent above the 1966 level. Moreover, average slaughter weights averaged higher over much of this period, further boosting pork output. In addition, beef production during the second quarter averaged about 7 percent above the 1966 level, and production of broilers was up about 6 percent.

The slaughter of hogs over this period was substantially above that indicated by earlier pig crop reports. These estimates, however, have been revised upward to bring them more in line with actual marketings. The estimate of the number of hogs on farms as of June 1, for example, was increased by about 900,000 head, and the estimate for hogs weighing 120 pounds or more (those marketed largely during June-September) was increased from 4 percent above a year ago to 7 percent above.

Marketings in the weeks ahead, while increasing seasonally, are expected to average near or slightly below last year's level. The number of hogs on farms as of September 1 weighing 120 to 219 pounds (those that will be marketed mainly during the fourth quarter) would indicate marketings about equal to those of last year in contrast to the large increases experienced during the past several months. Somewhat smaller supplies of both beef and poultry are also anticipated. In the circumstances, hog prices may improve moderately from present levels and average slightly above those received during the final quarter of 1966.

Prospects appear to be good for continued relatively favorable prices into the first part of 1968. The number of hogs on farms in September, which will make up the bulk of the winter marketings (those weighing under 120 pounds), was about 3 percent lower than a year ago.

The level of marketings during the spring of 1968, however, is somewhat more uncertain. Planned farrowings in the ten Corn Belt states show a 2 percent decline, but distant farrowing plans can still be changed. An important factor shaping the intermediate-term outlook is the prospect for a record corn crop--up about 14 percent from a year ago. This, coupled with moderately higher hog prices, will provide a strong incentive for hog producers to expand their operations.

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