BUTTER AND LARD: FACTORS ASSOCIATED WITH THE CURRENT DOWNTREND IN PRODUCTION

by
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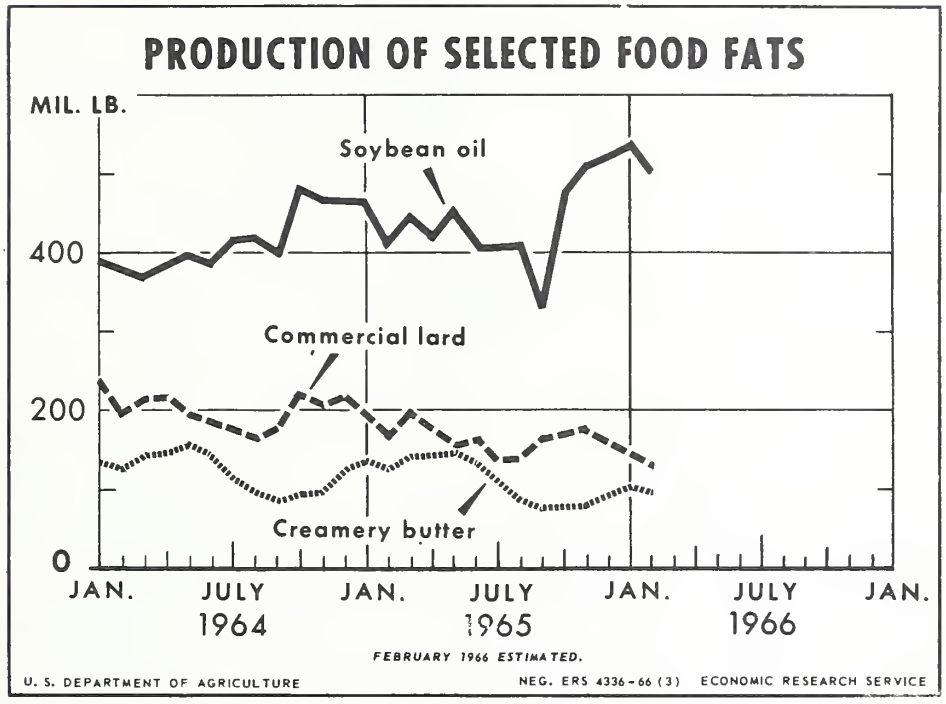

Monthly lard production has dropped sharply since early 1965. The situation for butter is similar since mid-1965. During October-February 1965-66, output of these 2 food fats was a fourth below a year earlier. The drop in lard output, to the lowest point since World War II, reflects reduced hog slaughter and a lower lard yield per hog.

The drop in butter production, to the lowest point since 1951, reflects the decline in milk cows and increased competition among dairy products for reduced milk supplies. In sharp contrast, soybean oil production since last fall has been record-high due in part to an unusually strong domestic demand. (See page 24.)

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Butter, lard, cottonseed oil, and soybean oil are the major food fats and oils produced and consumed in the United States. They account for about 90 percent of the annual total. Edible beef fats (tallow, oleo stock, oleo oil, and oleo stearine), corn oil, olive oil, peanut oil, safflower oil, and sesame oil comprise the other 10 percent.

Per capita consumption of food fats and oils has remained fairly stable over the years at an annual rate of 46-47 pounds(with butter and margarine included on a fat content basis). Thus, when one fat or oil becomes in short supply, more of another is required to maintain the per capita consumption rate which includes the demands of an expanding population. The annual increment to maintain this per capita consumption level amounts to around 150 million pounds.

Output of lard and cottonseed oil is unresponsive to price changes since they are byproducts of the hog and cotton industries. Butter output is affected by the supply of milk and the use of milk in other dairy products. In turn, milk supplies respond to milk prices administered through Federal and State milk marketing orders and through the price support program. Soybean oil has filled the vacuum created by declining production of the other food fats and oils. Domestic disappearance of soybean oil has increased from 3.4 billion pounds in 1959 to the 4.4 billion pounds estimated for the current marketing year ending September 30, 1966. During this same period, the combined domestic use of butter and lard declined from 3.4 billion pounds to this year's estimated 2.9 billion pounds. Domestic use of cottonseed oil held fairly steady during this period, averaging 1.4 billion pounds annually.

Butter and lard in recent years have together accounted for about one-third of the total fats and oils produced and consumed in the United States. Starting in early 1965 for lard and in about mid-1965 for butter, monthly production has dropped sharply (see cover chart). During October-February 1965-66, output of these 2 commodities lagged below year-earlier levels by a fourth. Initially, it was the exports which were affected mostly by the sharp cutback in butter and lard production as domestic consumption held up well. However, domestic use is expected to decline considerably over the rest of the marketing year due to higher prices, smaller stocks, and reduced use in domestic donations.

USDA purchases of food fats for domestic distribution to needy families, schools and institutions, have shifted from lard and butter to shortening and margarine. Since October 1, 1965, the beginning of the fats and oils marketing year, the USDA has purchased 52 million pounds of shortening (vegetable oil and edible beef fat base since lard is excluded as an ingredient) and 22 million pounds of margarine for domestic distribution. The Defense Department announced on March 25 that the Army and Air Force would switch from butter to margarine.

Table 14.--Butter, actual weight: Supply and disposition, 1935-65

Year	Supply						Disposition			
	Production			Imports	Stocks Jan. 1 1/	Total supply	Exports and shipments to U. S. Territories	Domestic disappearance		
	Creamery	Farm	Total					Total	Direct use as butter	
									Military procurement	Civilian	Civilian per capita
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Lb.
Average 1935-39	1,716	479	2,195	9	64	2,268	7	2,196	---	2,196	17.0
1940	1,837	403	2,240	1	55	2,296	11	2,244	---	2,244	17.0
1941	1,872	395	2,268	4	41	2,313	13	2,185	70	2,116	16.1
1942	1,764	366	2,130	20	114	2,264	24	2,217	124	2,092	15.9
1943	1,674	342	2,015	3	25	2,043	94	1,791	266	1,525	11.8
1944	1,489	330	1,818	2	158	1,978	97	1,853	321	1,532	11.9
1945	1,364	336	1,699	4	28	1,731	55	1,635	222	1,413	10.9
1946	1,171	331	1,502	7	41	1,550	16	1,510	54	1,456	10.5
1947	1,329	311	1,640	4	23	1,667	17	1,628	28	1,600	11.2
1948	1,210	293	1,504	2/	22	1,526	8	1,486	36	1,450	10.0
1949	1,412	276	1,688	2/	32	1,720	6	1,581	32	1,549	10.5
1950	1,386	262	1,648	2/	133	1,781	28	1,648	34	1,614	10.7
1951	1,203	240	1,443	2/	105	1,548	24	1,497	52	1,445	9.6
1952	1,188	214	1,402	2/	27	1,429	2	1,354	38	1,316	8.6
1953	1,412	195	1,607	2/	73	1,680	26	1,372	43	1,329	8.5
1954	1,449	179	1,628	1	282	1,911	57	1,475	65	1,410	8.9
1955	1,383	162	1,545	1	379	1,925	224	1,537	77	1,460	9.0
1956	1,413	140	1,553	3	163	1,719	184	1,510	70	1,439	8.7
1957	1,414	119	1,533	3	25	1,561	13	1,461	55	1,406	8.4
1958	1,390	96	1,486	2	87	1,575	38	1,468	50	1,418	8.3
1959	1,334	76	1,411	2	69	1,482	29	1,422	51	1,371	7.9
1960	1,373	62	1,435	3	31	1,468	11	1,382	50	1,332	7.5
1961	1,484	52	1,536	2	77	1,615	9	1,381	46	1,335	7.4
1962	1,537	42	1,579	2	4/225	1,806	3/42	1,405	64	1,341	7.3
1963	1,420	33	1,453	2	4/359	1,814	3/199	1,345	64	1,280	6.9
1964	1,442	26	1,468	2	4/271	1,741	3/307	1,357	60	1,303	6.9
1965 5/	1,337	20	1,357	2	71	1,430	3/74	1,304	60	1,243	6.5
1966			6/1,175		52						

1/ Includes stocks held by U. S. Department of Agriculture. 2/ Less than 500,000 pounds. 3/ Includes estimates of butter, butter oil and ghee shipped under foreign donations program. 4/ Includes estimates of butter oil, ghee, and canned butter. 5/ Preliminary. 6/ Forecast. Totals computed from unrounded numbers.

Table 15.--Lard: Supply and disposition, 1935-65

Year	Supply						Disposition					
	Production				Stocks Jan. 1 1/	Total 2/	Exports and shipments			Domestic disappearance		
	Federally inspected	Other commercial	Farm	Total			Exports 3/	Shipments	Total	Total	Direct use	
											Total	Per civilian
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Lb.
Average 1935-39	944		686	1,630	96	1,726	166	26	192	1,430	1,424	11.0
1940	1,527		761	2,288	162	2,450	201	31	232	1,924	1,901	14.4
1941	1,526		702	2,228	294	2,522	393	31	424	1,900	1,819	13.8
1942	1,724		676	2,401	199	2,600	652	33	685	1,805	1,688	12.8
1943	2,080		785	2,865	110	2,976	757	39	796	1,884	1,679	13.0
1944	2,367	279	408	3,054	297	3,351	902	36	938	1,957	1,583	12.3
1945	1,311	335	420	2,066	456	2,522	651	21	672	1,722	1,509	11.7
1946	1,342	353	439	2,134	129	2,265	451	39	490	1,664	1,640	11.8
1947	1,722	277	403	2,402	110	2,512	383	34	417	1,929	1,792	12.6
1948	1,680	252	389	2,321	167	2,488	277	50	327	1,987	1,850	12.7
1949	1,923	270	341	2,534	173	2,707	617	50	667	1,910	1,744	11.8
1950	2,009	309	313	2,631	131	2,762	467	56	523	2,112	1,891	12.6
1951	2,225	342	296	2,863	127	2,990	689	54	743	2,143	1,855	12.3
1952	2,234	378	269	2,881	104	2,992	634	60	694	2,087	1,817	11.8
1953	1,812	310	233	2,355	211	2,566	423	53	476	2,016	1,772	11.4
1954	1,831	290	209	2,330	74	2,404	465	56	521	1,779	1,627	10.2
1955	2,140	312	208	2,660	104	2,764	562	57	620	1,998	1,639	10.1
1956	2,255	304	198	2,757	147	2,904	611	60	672	2,121	1,623	9.8
1957	2,080	287	180	2,547	112	2,659	501	62	563	1,994	1,589	9.4
1958	1,982	271	173	2,426	101	2,527	389	66	455	1,977	1,640	9.6
1959	2,309	300	171	2,780	95	2,875	605	68	673	2,078	1,536	8.8
1960	2,127	292	144	2,563	124	2,687	620	61	681	1,912	1,359	7.6
1961	2,118	266	133	2,517	94	2,611	417	69	485	2,015	1,396	7.7
1962	2,104	261	115	2,480	110	2,590	422	66	488	1,974	1,318	7.2
1963	2,117	256	103	2,476	128	2,604	538	57	594	1,891	1,193	6.4
1964	2,153	235	88	2,476	119	2,595	682	64	747	1,721	1,196	6.3
1965 4/	1,772	208	75	2,055	127	2,182	251	75	325	1,795	1,235	6.4
1966				5/1,900	62							

1/ Factory and warehouse stocks as reported by Bureau of the Census. 1948 and 1951 include stocks held or in transit by U. S. Department of Agriculture. 2/ Includes imports, which were less than 500,000 pounds in all years except 1952, when 7 million pounds were imported. 3/ 1947-53, include shipments by CARE. 4/ Preliminary. 5/ Forecast.

Totals computed from unrounded numbers.

In contrast with butter and lard, soybean oil production and domestic disappearance during October-February 1965-66 reached record highs, running more than 10 percent above last year. Carryover stocks of soybean oil (crude and refined) on October 1, 1965, were at their lowest level since 1960. The current rate of domestic disappearance of soybean oil may not continue as pipeline supplies of finished products probably have been largely built up. However, soybean oil will continue to fill the gap created by declining availabilities of other food fats and oils. Based on March 1 planting intentions, cottonseed oil production in 1966-67 will be about a fourth less than in 1965-66.

The remainder of this paper briefly examines some of the main underlying factors associated with the current downturn in butter and lard production in the United States. The analysis is concerned with only creamery butter and commercial lard as farm output of both commodities has trended downward steadily since World War II (see tables 14 and 15).

Sharp Decline in Milk Results in Increased Competition Among Dairy Products for Reduced Milk Supplies

Approximately one-half of total U.S. milk production goes into fluid use and the other half into manufactured products (butter, cheese, evaporated milk, condensed and dry milk, and frozen and other types of dairy products). Butter accounts for about one-fourth the total milkfat marketed and about one-half the milkfat consumed in all manufactured dairy products.

Butter production is becoming concentrated in relatively few States. In 1961, Wisconsin, Minnesota, and Iowa accounted for 53 percent of U.S. creamery production but by 1965 these same 3 States represented 61 percent of the total.

Butter still is by far the largest factory outlet for milkfat, but by less of a margin than before World War II. Total use of milk in manufactured products usually varies by a greater percentage year-to-year than milk production, and most variation occurs through changes in butter and American cheese output. During 1947-64, milk used for butter tended to change 0.7 billion pounds for each billion-pound annual change in milk production.

During 1965, U.S. milk production was down 1.5 percent from the 1964 record but butter output was down 7 percent. While butter remains the most important item among the factory products of the dairy industry, cheese output has been moving up in recent years. Cheese prices have risen relative to butter prices because demand for cheese increased more rapidly than supply. As a result, cheese factories have been increasing prices paid to farmers more than butter plants since the third quarter of 1965. At the same time, cheese factory processing margins gained while butter margins declined. These trends are expected to continue during 1966.

The decline in number of cows and heifers 2 years old and over kept for milk on U.S. farms accounts for more than half of the 1964 to 1965 decline in milk production (table 16). On January 1, 1966, there were 16.6 million head on

Table 16.--Creamery Butter: Factors relating to production, 1956-66

Calendar year	Cows and Heifers 2 years old and over kept for milk 1/		Milk production per cow 2/		Total milk production 2/		Milk used for butter 3/	
	Thou.	Annual % change	Lb.	Annual % change	Mil. lb.	Annual % change	Mil. lb.	Annual % change
1956	22,912	-2.3	6,090	+4.2	124,860	+1.6	28,699	+2.5
1957	22,325	-2.6	6,303	+3.5	124,628	-0.2	28,950	+0.9
1958	21,265	-4.7	6,585	+4.5	123,220	-1.1	29,719	+2.7
1959	20,132	-5.3	6,815	+3.5	121,989	-1.0	28,697	-3.4
1960	19,527	-3.0	7,002	+2.7	122,951	+0.8	29,374	+2.4
1961	19,361	-0.9	7,223	+3.2	125,442	+2.0	31,762	+8.1
1962	19,167	-1.0	7,391	+2.3	126,021	+0.5	33,054	+4.1
1963	18,679	-2.6	7,561	+2.3	125,009	-0.8	30,743	-7.0
1964	18,088	-3.2	7,907	+4.6	127,000	+1.6	31,301	+1.8
1965	17,593	-2.7	8,080	+2.2	125,061	-1.5	29,013	-7.3
1966	16,607	-5.6						

1/ On farms January 1. Includes 2-year old heifers not yet fresh.
2/ Excludes milk sucked by calves.
3/ Excludes farm-made butter.

Table 17.--Commercial Lard: Factors relating to production, 1956-66

Calendar Year	Hogs on farms January 1		Commercial slaughter of hogs		Average live-weight of hogs slaughtered		Yield of lard per hog slaughtered	
	Thou.	Annual % change	Thou.	Annual % change	Lb.	Annual % change	Lb.	Annual % change
1956	55,354	+ 9.7	78,513	+ 5.7	232	-2.1	32.7	0
1957	51,897	- 6.2	72,595	- 7.5	233	+ .4	32.6	- .3
1958	51,517	- 0.7	70,965	- 2.2	235	+ .9	31.7	-2.8
1959	58,045	+12.7	81,582	+15.0	237	+ .9	32.0	+ .9
1960	59,026	+ 1.7	79,036	- 3.1	236	- .4	30.6	-4.4
1961	55,506	- 6.0	77,335	- 2.2	238	+ .8	30.8	+ .7
1962	57,000	+ 2.7	79,334	+ 2.6	239	+ .4	29.8	-3.2
1963	58,883	+ 3.3	83,324	+ 5.0	238	- .4	28.5	-4.4
1964	58,119	- 1.3	83,018	- 0.4	241	+1.3	28.8	+1.0
1965	53,132	- 8.6	73,780	-11.1	238	-1.2	26.8	-7.0
1966	51,230	- 3.6						

Table 18.--Creamery Butter[1/] Supply, disposition, and price, by months, 1964 to date

Month	Production						Beginning stocks 2/						Total supply					
	1964		1965		1966		1964		1965		1966		1964		1965		1966	
	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965
January	130.4	-2	132.8	+ 2	100.2	-25	271.1	-25	71.0	-74	52.1	-27	401.5	-18	203.8	-49	152.3	-25
February	124.9	+2	126.0	+ 1	92.5	-27	228.6	-37	63.1	-72	33.7	-47	353.5	-27	189.1	-47	126.2	-33
March	141.0	+4	141.6	0			198.8	-44	69.2	-65	23.8	-66	339.8	-31	210.8	-38		
Total	396.4	+1	400.4	+ 1			271.1	-25	71.0	-74			667.5	-15	471.4	-29		
April	143.9	+3	140.2	- 3			190.6	-51	96.4	-49			334.5	-37	236.6	-29		
May	154.5	-1	146.4	- 5			184.6	-54	117.0	-37			339.1	-39	263.4	-22		
June	143.2	0	135.8	- 5			197.1	-54	149.2	-24			340.3	-40	284.9	-16		
Total	441.7	+1	422.4	- 4			190.6	-51	96.4	-49			632.3	-30	518.8	-18		
July	111.4	-2	106.6	- 4			225.3	-52	191.2	-15			336.7	-42	297.8	-12		
August	95.0	0	85.9	-10			252.8	-49	217.4	-14			347.8	-41	303.3	-13		
September	86.3	+1	74.6	-14			231.7	-52	183.6	-21			318.0	-44	258.2	-19		
Total	292.7	-1	267.1	- 9			225.3	-52	191.2	-15			518.0	-30	458.3	-12		
October	95.0	+4	78.8	-17			188.4	-58	161.1	-14			283.4	-48	239.9	-15		
November	95.8	+4	78.2	-18			151.4	-61	124.8	-18			247.2	-48	203.0	-18		
December	121.0	+8	90.3	-25			96.9	-69	83.0	-14			217.9	-49	173.3	-20		
Total	311.7	+6	247.3	-21			188.4	-58	161.1	-14			500.1	-11	408.4	-18		
Year	1,442.4	+2	1,337.1	- 7			271.1	-25	71.0	-74			1,713.5	- 4	1,408.1	-18		

Month	Exports and shipments 2/						Domestic disappearance 3/						Price, Grade A (92-score), bulk, Chicago					
	1964		1965		1966		1964		1965		1966		1964		1965		1966	
	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Cents per lb.	% change from 1963	Cents per lb.	% change from 1964	Cents per lb.	% change from 1965
January	40.5	+212	13.2	-67	2.8	-79	134.0	+ 4	127.5	- 5	117.0	- 8	58.0	0	58.0	0	59.3	+2.2
February	31.1	+640	11.4	-63	3.5	-69	123.7	- 2	108.6	-12	100.0	- 8	58.0	0	58.0	0	61.8	+6.6
March	31.8	+405	16.7	-47			117.4	+28	97.7	-17			58.0	0	58.0	0		
Total	103.4	+776	41.3	-60			375.1	+ 8	333.8	-11			58.0	0	58.0	0		
April	23.4	+277	7.4	-68			126.6	+ 3	112.3	-11			58.0	0	59.0	+1.7		
May	33.6	+180	5.2	-85			108.4	- 9	109.1	+ 1			58.0	0	59.0	+1.7		
June	24.1	+373	4.4	-82			91.0	- 5	89.4	- 2			58.0	0	59.0	+1.7		
Total	81.1	+248	17.0	-79			326.0	- 6	310.9	- 5			58.0	0	59.0	+1.7		
July	15.8	+ 40	2.2	-86			68.2	-15	78.2	+15			58.0	0	59.0	+1.7		
August	13.1	- 58	4.0	-69			103.0	+38	115.9	+13			59.5	+2.6	61.0	+2.5		
September	11.4	- 58	2.0	-82			118.3	+31	95.2	-20			61.3	+2.7	62.2	+1.4		
Total	40.3	- 42	8.2	-80			289.4	+18	289.2	-.01			59.6	+1.7	60.7	+1.8		
October	23.4	- 12	2.5	-89			108.7	-16	112.6	+ 4			60.5	+3.4	62.9	+4.0		
November	24.5	- 25	1.4	-94			125.8	- 2	118.6	- 6			62.2	+7.1	63.3	+1.8		
December	34.5	- 1	3.1	-91			112.5	- 9	118.1	+ 5			59.2	+2.1	63.4	+7.1		
Total	82.4	- 12	7.0	-92			347.0	- 9	349.3	+ 1			60.6	+4.1	63.2	+4.3		
Year	307.3	+ 54	73.6	-76			1,337.5	+ 2	1,283.1	- 4			59.1	+1.5	60.2	+1.9		

1/ Excludes farm butter.
2/ Includes butter oil.
3/ Includes imports.
Totals computed from unrounded numbers.

farms, 5.6 percent below a year earlier--the largest percentage decline on record. The rate of decline increased during 1965 as dairy returns became less attractive relative to those for other farm and nonfarm enterprises. During 1966 the decline in dairy cow numbers is expected to be larger than the 2.8 percent 10-year average, but probably not so large as in 1965.

The number of milk cows on farms during 1965 averaged 15.5 million, 0.6 million below 1964. This decline was about 20 percent greater than in 1964. The downtrend in milk cows quickened in the second half of 1965, as beef cattle and hog prices rose more sharply than milk prices. Forage shortages in Northeastern States contributed further to heavy cow culling. Relatively low quality of forage and corn caused output per cow to drop sharply in a number of North Central and Western States.

As may be seen in table 16, the increasing yield of milk per cow has tended to offset the decline in cow numbers during the last decade. But during 1965, U.S. average production per cow gained only 2.2 percent from a year earlier compared with 4.6 percent in 1964 and the 3.4 percent 10-year average. Milk per cow in early 1966 is at about year-earlier levels. However, normal weather and improved feed quality could cause larger than normal gains in the last half of 1966. But even with last-half production gains, milk output in 1966 is expected to be about 2 percent under the 1965 level.

Thus it appears that the competition for reduced milk supplies in 1966 likely will cause butter output to continue lagging. Demand for fluid products, frozen products and cheese is increasing. With strengthened demand, tighter milk supplies, and favorable processing margins, these products will continue to attract milk from butter and byproducts during 1966.

Decline in Hog Numbers and High Pork Prices Accentuates Downtrend in Lard Yield

Lard production is mainly a function of number of hogs slaughtered, pork prices, and yield of lard per hog killed. Hog production is usually characterized by cyclical swings in slaughter and prices. Such swings have been fairly regular, repeating a pattern of 2 years of large slaughter followed by 2 years of reduced slaughter (table 17). Lard yield per hog, on the other hand, has been a persistent long-run factor reducing lard output. Commercial lard yields have been trending downward from 34 pounds in 1951 to only 27 in 1965.

During 1965, hog slaughter was down 11 percent from 1964 but commercial lard production was off 17 percent. The average live weight of hogs slaughtered in 1965 was only 1 percent less than in 1964. Lower yields reflect improved hog breeding and feeding practices and the gradual shift to the meat-type hog. Also, when pork supplies are short and hog prices are relatively high, such as in 1965, packers tend to trim less fat from the pork cuts.

On January 1, 1966, there were 51.2 million hogs and pigs on U.S. farms, 4 percent fewer than a year earlier (table 17). This was the third successive decline in the beginning inventory and the smallest inventory since 1955.

Table 19.--Commercial Lard: Supply, disposition and price, by months, 1964 to date

Month	Production						Beginning stocks						Total supply					
	1964		1965		1966		1964		1965		1966		1964		1965		1966	
	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965
January	232	+7	194	-16	145	-25	119	- 7	127	+ 7	62	-51	351	+ 2	321	- 9	207	-36
February	193	+6	166	-14	129	-22	106	-28	151	+42	70	-54	299	- 9	317	+ 6	199	-37
March	210	+1	196	- 7			125	-14	131	+ 5	69	-47	335	- 5	327	- 2		
Total	635	+5	556	-13			119	- 7	127	+ 7			754	+ 3	683	- 9		
April	213	+1	178	-16			114	-32	143	+25			327	-13	321	- 2		
May	194	-6	154	-21			116	-28	147	+27			310	-16	301	- 3		
June	184	+6	160	-13			125	-15	107	-14			309	- 4	267	-14		
Total	591	0	492	-17			114	-32	143	+25			705	- 7	635	-10		
July	172	-2	136	-21			96	-29	98	+ 2			268	-14	234	-18		
August	166	-3	138	-17			98	-14	82	-16			264	- 8	220	-17		
September	178	-4	162	- 9			89	+ 1	69	-22			267	- 3	231	-13		
Total	516	-3	436	-16			96	-29	98	+ 2			612	- 9	534	-13		
October	220	+3	163	-26			68	-16	62	- 9			288	- 2	225	-22		
November	209	+1	176	-16			82	+ 9	59	-28			291	+ 3	235	-19		
December	217	-1	157	-28			104	+13	66	-37			321	+ 3	223	-31		
Total	646	+1	496	-23			68	-16	62	- 9			714	- 1	558	-22		
Year	2,388	+1	1,980	-17			119	- 7	127	+ 7			2,507	+0.2	2,107	-16		

Month	Exports and shipments						Domestic disappearance						Price, loose, tanks, Chicago					
	1964		1965		1966		1964		1965		1966		1964		1965		1966	
	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Mil. lb.	% change from 1963	Mil. lb.	% change from 1964	Mil. lb.	% change from 1965	Cents per lb.	% change from 1963	Cents per lb.	% change from 1964	Cents per lb.	% change from 1965
January	67	+253	24	-64	7	-71	179	+ 1	146	-18	130	-11	8.9	+11	10.9	+22	12.8	+17
February	56	+ 19	38	-32	16	-58	117	-15	148	+26	113	-24	9.3	+13	11.2	+20	13.1	+17
March	55	+ 20	24	-56			166	+17	160	- 4			9.0	+15	11.6	+29		
Total	178	+ 59	85	-52			462	+ 1	455	- 2			9.1	+14	11.2	+23		
April	90	+ 38	43	-52			121	-19	131	+ 8			9.2	+23	12.3	+34		
May	56	- 26	31	-45			129	-11	163	+26			9.1	+23	11.1	+22		
June	100	+257	19	-81			113	-28	151	+34			9.1	+18	11.3	+24		
Total	246	+ 46	93	-62			363	-20	445	+23			9.1	+21	11.6	+27		
July	49	- 18	39	-20			121	-12	112	- 7			9.2	+11	11.8	+28		
August	48	+ 28	21	-56			127	- 3	130	+ 2			9.6	+13	11.7	+22		
September	54	- 4	22	-59			145	+ 6	147	+ 1			9.9	+18	12.3	+24		
Total	152	- 17	82	-46			392	- 3	389	- 1			9.6	+14	11.9	+24		
October	57	+ 14	18	-68			148	-13	148	0			11.5	+25	12.5	+ 9		
November	66	+ 53	18	-73			122	-17	152	+25			10.9	+12	11.7	+ 7		
December	47	+ 31	29	-38			147	- 6	131	-11			11.0	+25	11.8	+ 7		
Total	170	+ 32	65	-62			416	-12	431	+ 4			11.3	+23	12.0	+ 6		
Year	746	+ 26	325	-56			1,633	- 9	1,720	+ 5			9.7	+17	11.7	+21		

Totals computed from unrounded numbers.

The hog industry apparently is increasing production more slowly in response to higher hog prices this year than in some former years when prices and hog-corn price ratios were favorable. The number of hogs and pigs on farms in 10 Corn Belt States on March 1, 1966, totaled 38.0 million head, an increase of 1 percent from the same date last year. Although corn and other feed costs are the major costs of producing hogs, other costs have risen. Specialization in hog production has increased and this requires a larger capital outlay. Consequently, there are now fewer small producers and more large producers. As a result, producers entering or leaving hog production in response to price are less important than they used to be as a source of slaughter hogs. Another factor has been the expansion in cattle feeding which undoubtedly has had some long-run effects on hog production.

Hog slaughter and lard production in January and February 1966 continued substantially below year-earlier levels, reflecting the reduction in last fall's pig crop and the withholding of gilts for breeding. Slaughter is expected to continue below 1965 levels during the coming months. However, the margin below 1965 will narrow this spring, due to the relative increase in the late-fall pig crop. The December-May 1965-66 pig crop is estimated to be 8-10 percent larger than a year earlier. Pigs born in these months provide most of the hogs for slaughter during the second half of 1966. Thus slaughter supplies will be above year-earlier levels during the summer and average moderately above last year in the fall of 1966. Nevertheless, total lard output for the year will be somewhat under 1965.

Based on the above expectations for hogs, pork prices likely will continue relatively high during most of this year but will average lower in the closing months of 1966. Lard prices probably will continue to average above competitive soybean oil during the year. Historically, lard has sold for less than soybean oil.

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