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Agricultural Letter

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PORK PRODUCTION appears headed for a downturn despite relatively favorable feed-price relationships in recent months. The number of pigs farrowed during December through February in the ten Corn Belt states was about equal to a year ago, but the numbers intended to farrow in both the March-May and June-August periods are expected to be around 3 percent under the comparable periods last year, according to the Department of Agriculture. A December survey covering the entire nation indicated that farmers in states outside the Corn Belt planned to increase spring (December-May) farrowings about 4 percent from a year ago. These states only account for about a fifth of total pork production, but their expansion will tend to offset some of the decline that is indicated in the Corn Belt area. Nevertheless, slightly smaller farrowings are indicated for the nation.

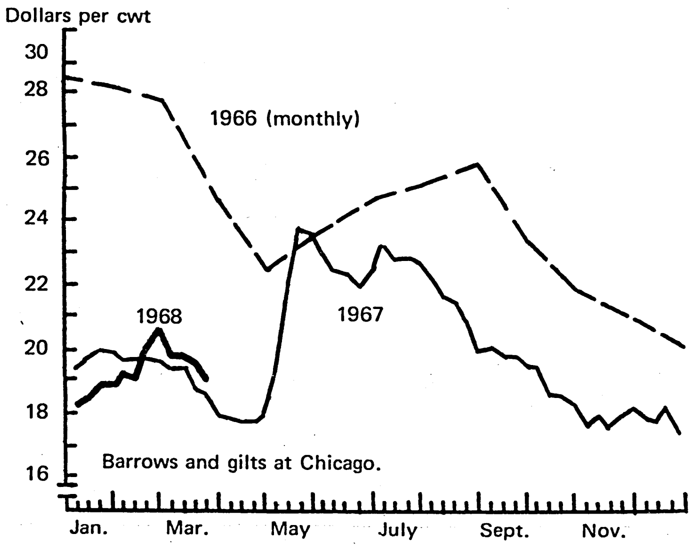
This is in contrast to what had been expected by many observers. It appeared that the record corn crop (large quantities of which were in poor condition for storage) and the relatively favorable feed-price relationships would lead to some further expansion in pork production during 1968. The indicated downturn apparently is in response to lower hog prices. Certainly, returns to hog producers have declined from the high levels of 1966 when prices for barrows and gilts at eight markets averaged $23.50 per hundredweight. During the final quarter of 1967, prices dropped to a low of less than $18, nearly $3 below the previous year and more than $7.50 under the record levels two years earlier. But the record corn crop caused corn prices to drop precipitously—about 30 cents a bushel from the high levels of late 1966 and early 1967. As a result, the ratio of hog-corn prices—one rough measure of profitability—remained relatively favorable for expanded pork production, averaging above 16 during the final quarter. This compares with a ratio of just under 15 the year before and, except for 1965, was the highest average ratio for that time of year since 1960.

Slaughter of hogs under federal inspection ran about 2 percent above a year earlier in January and February. But this was mostly because of the extra working day in each month. Weekly slaughter rates were actually slightly under last year. Average weekly slaughter in March, on the other hand, was slightly larger than a year ago.

Prices of hogs have strengthened from the low reached in December of last year. Prices of barrows and gilts at Chicago are currently selling for around $19 per hundredweight—down slightly from February but about $2 above the December level and about $1 above a year ago.

If farmers hold to their intentions and Department of Agriculture estimates prove correct, the level of slaughter, while declining seasonally during the next few months, will likely continue close to the year-earlier levels. The number of slaughter hogs on farms in the ten Corn Belt states as of March 1 numbered 1 percent more than a year ago. The slight increase in number was fairly evenly distributed among the various weight groups. The bulk of these hogs will be marketed within the next five to six months.

Prices Expected to Continue Close to Year-ago Levels



Note: 1967 and 1968 data are plotted weekly.

Hog prices, therefore, are expected to hold close to year-ago levels, except for temporary fluctuations, over the next several months. Higher consumer incomes will tend to strengthen the demand for pork in the coming months but continued large supplies of competing meats along with sizable cold storage stocks of pork are likely to limit any sharp price advances. Prices may weaken slightly in the next few weeks before rising seasonally to their summer peak. Also, the seasonal upswing probably will be more moderate and spread over a longer period than last year when prices jumped nearly $5 in May. Prices in the fall, although down from their summer peak, are apt to run somewhat above those in the same period last year. Hence the outlook for hog producers, while not outstanding, could be considered moderately favorable.

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