

What's AHEAD for Minnesota Farmers

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HOGS

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AT A GLANCE: Expect steady to slightly weaker prices this fall compared with August levels. High levels of marketings have been in the picture for all of 1959 and will probably carry through in 1960. Somewhat lower prices are predicted for 1960, with the most critical price level occurring in the fall. Reduced supplies would brighten the hog picture.

SITUATION

OUTLOOK

- There have been substantial increases in hog marketings during 1959. February commercial hog slaughter mounted to a level 25% above a year earlier. Slaughter continued at about a 15% higher plane during the months of March to August.
- Triggering the expansion on 1959 marketings was a 17% increase in the 1958 summer and fall pig crop. In addition to this, producers farrowed 58.5 million hogs in the 1959 spring farrowing season (Dec. -May), 12% more than in 1958. These increases can be largely attributed to the positive reaction of producers to the favorable hog-corn relationship of the past two years.

Cyclical build-up in hog numbers, U. S.

Pig crop	1957		1958		1959	
	Million	%	Million	%	Million	%
Spring	51.8	-2	52.7	+ 2	58.5	+12
Fall	36.5	-1	41.5	+14	46.0*	+ 9
Total	88.3	-2	94.2	+ 7	104.5	+10

*Estimate based on intentions to farrow.

- The estimate for the prospective 1959 fall pig crop shows an increase of 9% over 1958. If these intentions to farrow materialize, 46 million pigs, 27% more than 2 years ago, can be expected to be marketed in early 1960. This will be the largest fall crop marketed since 1943.

- The total pig crop for 1959 will be approximately 104.5 million pigs. On a per capita basis, this will provide more pounds of pork per person than any year since the early 1950's. Not influenced by the large fall farrowings, the 1959 consumption rate will be almost 67 pounds of pork per person compared with

- Hog prices have shown the effects of increased marketings since late in the fall of 1958. Prices for 200-220 lb. slaughter hogs declined from Jan. to late Feb., showed some strength in March, and charted a fairly steady to weak course to middle August, when some increase began to appear. The 1959 seasonal trend ranged from \$3-\$10 under 1958 levels.

- A 53% greater inventory of processed pork on June 1 and earlier slaughter of spring pigs were the main factors which held back the normal pronounced upswing in summer hog prices.

- Fall outlook 1959 - Prices this fall are expected to decline slightly but the change from peak to trough will be less than usual. With some of the pressure removed by earlier farrowing, marketings should be less in the 1959 October-December period than, for example, in 1955. As it looks now, the low will be \$4-\$5 less than in 1958, but probably at least \$3 more than the \$10 low set in 1955.

- Winter-spring outlook 1960 - If 9% more summer and fall pigs are produced, prospects for a sizeable winter price recovery will be eliminated. Unless some adjustment takes place, low hog prices will

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SITUATION

OUTLOOK

60.7 in 1958.

● Since 1952, sow farrowings have been sufficiently redistributed to have a material effect on the seasonal pattern of marketings and prices.

Percentage of sow farrowings
by quarters, U. S.

Year	Quarters			
	Dec. -Feb.	March-May	June-Aug.	Sept. -Nov.
1952	14.2	47.6	19.5	18.8
1955	17.9	42.0	21.2	18.9
1959*	22.7	33.7	23.2	20.4

*Partial estimate based on 1959 spring farrowings.

● A greater proportion of the 1959 spring pig crop was farrowed in Dec. -Feb. compared with 1952, 1955, and, also, 1958. To adjust for this increase, producers decreased their 1959 late spring farrowings (March to April) by a magnitude of 22% and 13% from 1952 and 1955, respectively. On a production adjusted basis, the change amounts to -29% and -19%. Also, a much higher proportion of the pig crop is farrowed in the fall period than in past years--38.3% in 1952, 43.6% in 1959. This favorable trend should continue in 1960.

● As a result of favorable changes in the farrowing pattern, a larger proportion of the spring pig crop hits the market in the July-September period, and a smaller proportion, than was the case in the past years, is marketed in the critical months of October-December. Therefore, although the marketings are still heavier in total number, a great deal of the price depressing pressure has been eliminated in the late fall months.

● The incentives--high hog prices and a favorable hog-corn ratio--are beginning to diminish and are at levels that should call for some liquidation in hog numbers in 1960. Whether this will materialize will depend on producers' reaction to a somewhat pessimistic outlook for hogs in 1960. Based on the present situation, these factors may preclude any sizeable downward adjustment in the spring pig crop: (1) expected large feed supplies for most of the nation, (2) lag in adjustment to unfavorable current price ratios, and (3) relatively high price for feeder cattle as a competing enterprise.

● Unless producers cut back more than is expected, the critical point in this cycle will carry through to the fall of 1960.

eliminate profit margins for the average producer in the first half of 1960.

● Late summer-fall outlook 1960 - Based on the prediction that 1960 spring farrowings will adjust only slightly, price consequences next summer and fall could be quite severe. As was shown this year, the short-term demand for pork is highly inelastic - a small percentage change in quantity can produce a much larger percentage change in price. In 1959, hog supplies increased by approximately 10%, but prices dropped by an estimated average of 30% from 1958 levels. Other economic factors were involved, but most of the response was caused by supply change.

● The above illustrates the seriousness of the situation for the near future. To get some idea as to what various 1960 spring farrowing levels might do to price, see the following table.

Projected estimates of 1960
spring pig crop

Pro- jected crop	Change from 1959	Possible effect on fall price level relative to 1959	Profit condition
Million		% change	
52.7	-10	+15 to +25	good
55.6	- 5	+ 7 to +10	fair
58.5	0	- 2 to + 2	weak
61.4	+ 5	- 8 to -13	poor
64.3	+10	-15 to -30	v. poor

● Tips to follow for the health of swine industry in 1960:

1. Don't overexpand.
2. Produce quality product.
3. Market at acceptable weights.
4. Market in orderly manner.