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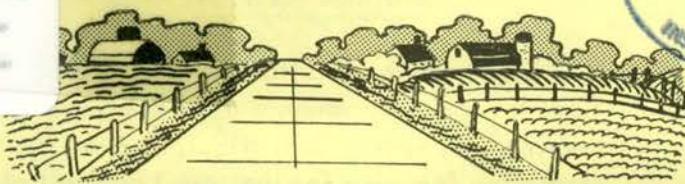
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What's AHEAD for Minnesota Farmers



HOGS

AGRICULTURAL EXTENSION SERVICE

UNIVERSITY OF MINNESOTA

INSTITUTE OF AGRICULTURE

AT A GLANCE:

Hog farrowings and slaughter turned down in 1960 after two years of expansion. Hog marketings are expected to increase seasonally this fall, but should remain below 1959 levels. Prices and profit prospects look good for at least the first half of 1961. Some expansion is expected in 1961 spring farrowings.

SITUATION

The brighter hog picture which developed in 1960 was largely due to reductions in hog farrowings and marketings. Low hog prices last summer and fall, below average feeding ratios, and cautious outlook warnings, apparently caused many hog producers to find alternative uses for their record-breaking feed supplies.

After two years of expanded farrowings, the 1960 pig crop is expected to total nearly 91 million head, down 11 percent from 1959 and 6 percent less than the relatively small 1958 crop. The June 1 USDA Pig Crop Report indicated that the spring pig crop totaled about 49 million head. This amounts to a reduction of 16 percent — the sharpest percentage cutback from the peak of a hog cycle since 1944. While most of the reduction last spring was caused by a smaller sow herd, part of it was the result of saving fewer pigs per litter.

Marketings thus far in 1960 have charted a two-way course compared to last year. During the first six months of 1960, federally inspected hog slaughter was 5 percent larger than in 1959. Marketings eased off in June and by July they had moved below last year's levels by 10 percent.

Based on the spring farrowing pattern, marketings will pick up seasonally from September to late fall, but numbers should run about 8-10 percent below 1959. Consequently, commercial slaughter for this year is expected to reach 77.0 million head, or 4-6 percent under one year earlier. A seasonal downturn in marketings is expected in the early winter months of 1961 when late spring and early

OUTLOOK

Outlook for the rest of 1960

Hog prices at So. St. Paul during the first six months of 1960 increased about 50 percent, that is, from a low of \$11.75/cwt., to a peak of around \$18.50/cwt. in early August. During this period, however, prices remained below 1959 levels until May, when the affects of a large early fall pig crop diminished, and demand improved to the extent that prices rose above those of a year earlier. The 1960 average price for barrows and gilts on eight large markets probably will average around \$15.80/cwt. This is about 10 percent higher than last year, but 20 percent lower than in 1958.

The seasonal pick up in marketings, expected this fall, will cause a downward trend in prices for the remaining fall months of 1960. Based on late spring farrowing reports, this trend should be gradual, with a good possibility that short periods of strength will show up in the early months.

Price differentials between weight groups will be quite wide from now until December. Historically, differentials are widest in the fall, especially in years of high hog prices, when pigs are normally carried to heavier weights. Weights around 210 pounds usually command highest prices during the late fall months.

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fall pigs are marketed.

. The marketing situation for the late winter and spring months will depend on what producers do in the 1960 June-November farrowing period. This will be more definitely known later this month when the September Pig Crop Report is released. However, June 1 intentions did indicate that farrowings in these months would be about 41.5 million head, or 3 percent less than in 1959. By quarters, June-August intentions were cut 6 percent, but September-November farrowings were expected to be up 2 percent.

. Based on a typical hog cycle, spring farrowings should decline for another year. However, it is possible that the sharp cutback in 1960 may not be followed by another drop next spring. The following indications point to this possibility:

1. Hog producers may have over-adjusted in 1960. Only once was there a comparable drop in farrowings in one season.
2. The hog-corn ratio which stood at 15:1 in August should remain quite favorable during the breeding season this fall. This will encourage hog production.
3. The hog-price picture should be relatively good this fall, giving some producers the incentive to expand.
4. Corn on many farms will not be dry enough to store and will have to be fed to cattle and hogs.

. These show that there is a definite possibility that the hog cycle will turn upward in the spring of 1961. However, if it does come, it is quite unlikely that producers will rebound with the same vigor as when they reduced farrowings in the spring of 1960. The likely course will become clearer, however, as the fall progresses. Keep an eye on farrowing intentions as they are published. The January revision of this outlook sheet will have more to say about the spring farrowing situation.

. No doubt some caution will be justified in hog marketing plans for 1962. If hog numbers and beef slaughter again reach peaks together, as they did in 1956, badly depressed prices may be experienced in both industries.

Outlook for 1961

. Until the level of fall farrowings and intentions for spring farrowings are more definitely known, it is somewhat difficult to make specific marketing forecasts for the last 3 quarters of 1961. However, these are the present indications.

. Based on farrowings late last spring and early summer, marketings should taper off in the first two months of 1961 at levels below last year. This should permit prices to bounce back from the fall low to around \$17.00/cwt. in January and remain fairly good through most of the winter.

. As a basis for projecting outlook into the third quarter of 1961 and beyond, the following table will be helpful:

Projected Estimates for 1961

Farrowings (million)	Change from 1960*	Percent price change**		Profit prospects***
		Fall Pig Crop	Spring Pig Crop	
40.7	-5%	+6 to +10	-	Very good
42.8	0%	-2 to +3	-	Good
45.0	+5%	-12 to -15	-	Fair
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44.2	-5%	+5 to +10	-	Very good
49.1	0%	-4 to +3	-	Good
51.6	+5%	-13 to -17	-	Fair
53.0	+10%	-18 to -30	-	Poor

* Change from 1959 for fall crop.

** Expected level of demand included in estimate.

*** Spring and early summer for fall crop and late summer and fall for spring crop.

. The June 1 estimate indicated a 3 percent cut in 1960 fall farrowings. If a change occurs from this estimate, it will likely be above. However, assuming that production stays within the levels projected in the table, prices and profit prospects should be good for at least the first half of 1961.

. Summer and fall outlook in 1961 will depend largely on the actions of hog producers this coming winter and spring. It is very unlikely that another cutback will take place or that a large increase will develop in the spring of 1961. Based on the present situation, farrowings will probably expand by about 5 percent. Thus, price and profit prospects should remain in the good to fair range through much of next summer and fall, unless producers expand to the 10 percent or greater level.

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