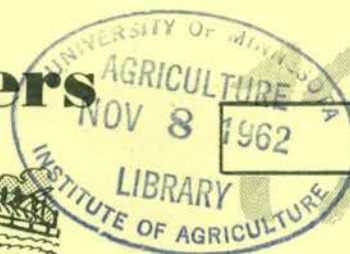


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**What's AHEAD for
 Minnesota Farmers**

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 1962



HOGS

AGRICULTURAL EXTENSION SERVICE

UNIVERSITY OF MINNESOTA

INSTITUTE OF AGRICULTURE

AT A GLANCE:

Hog production has remained relatively stable since 1960. Hog slaughter is expected to increase seasonally this fall, but should remain somewhat below 1961 levels. Price and profit prospects look reasonably good through early next summer. If 1963 spring farrowings do not increase more than 5%, prices and profits should remain fair to good during the last half of 1963 too.

SITUATION

OUTLOOK

Hog production and prices have moved through three complete cycles since the end of World War II. Unlike the wide fluctuations which characterized the hog market during much of this period, production and prices have been relatively stable in the past 2 years.

The current increasing phase of the hog numbers cycle which began in late 1960 was temporarily halted in the spring of 1962. The 1962 spring pig crop totaled 49.6 million head, 2% smaller than a year earlier. Fall farrowings according to producer intentions stated in the June 1 Pig Crop Report should total around 43 million head, slightly larger than in 1961.

If the fall farrowing plans are fulfilled, the total 1962 pig crop of 92.6 million head will be 1% less than the total for 1961, but 2% above the 1951-1960 average.

Commercial hog slaughter during the first three quarters of 1962 has been 4 to 6% more than a year earlier. Based on the level and monthly pattern of late spring farrowings, hog marketings will increase seasonally from October to December. However, numbers will run from 2 to 5% under last fall's level. For the year, commercial slaughter should total about 77.8 million head, or 3 to 5% more than in 1961.

Because of the favorable price situation, more hogs will be coming to market this fall in the heavier weight groups and will sell at discounted prices.

Barrow and gilt prices have been holding very close to a range of from \$16 to \$19 per cwt. since mid-1960. Seldom have hog prices shown so much stability over as long a period as 2 years.

Barrow and gilt prices on eight major markets during the first 7 months of 1962 averaged about \$17 per cwt. During this period prices remained below 1961 levels until July when reduced supplies and improved demand pushed prices up to 1961 levels.

The hog price picture looks favorable for the rest of 1962. The expected seasonal increase in marketings this fall will cause a slight downward trend of about 40¢ per month from the \$18 per cwt. average established in July to the low month of November.

However, slightly smaller pork supplies, and less competition from beef and poultry, should hold hog prices at least equal to the \$16.35 per cwt. average established on eight major markets during the last quarter of 1961.

The low this fall, expected in late November, will likely not be under \$15 per cwt. on most midwest terminal markets.

Considering the expected price level and hog production costs, profit prospects for the third year in a row rank good for fall marketed hogs.

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SITUATION

The hog marketing situation for the first half of 1963 will depend a great deal on the actual size of the 1962 fall (June-Nov.) pig crop. The June 1 Pig Crop Report indicated that a 1% increase will take place. Due to good hog prices and favorable feeding ratios in 1962, the actual increase will probably be closer to 2 to 4% with most of the increase occurring in the Sept.-Nov. quarter.

Per capita demand for pork will probably be 1 to 3% less during the first half of 1963 due to moderate increases in beef and poultry meat supplies. However, population growth should almost offset this lowering price effect.

Farrowings are expected to increase again in the 1963 spring (Dec.-June) farrowing season. Some indications of this expected trend are:

- a. Planned increases in farrowings this fall. The directional change will likely not be different this coming spring.
- b. Expected good returns on hogs sold this fall. This should provide incentive to hog producers to keep a few more sows for breeding purposes.
- c. Reduction in sow slaughter and an increase in sow and gilt inventories, indicating a build-up for fall breeding and spring farrowings.
- d. Large supplies of feed grains available for feeding. The Feed Grain Program assisted in holding hog production in check last year and could dampen the potential hog production increase this spring, but not enough to halt expansion entirely.

What the exact size of the increase in spring farrowings will be is not exactly clear at this time. However, it appears likely now that 3 to 6% more pigs will be farrowed for a total 1963 spring pig crop of from 51 to 53 million head.

The longer-run outlook for pork looks brighter than in the past. Production stability has eliminated some of the wide gyrations in prices. New production and management techniques have lowered costs. Improved quality should reduce some of the consumption shift away from pork. Future improvement in each of these by individual hog producers will strengthen their individual competitive position and long-run outlook.

OUTLOOK

Outlook for 1963

Based on an expected moderate increase in 1962 fall farrowings, hog marketings during the winter and spring quarters of 1963 can be expected to be only slightly higher than a year earlier. However, population growth should more than offset this increase so per capita supplies will be lower (see table).

Per Capita Supplies of Pork by Quarters

Quarter	1961	1962	1963*	Change from 1962
I	17.6	18.4	18.0	Less
II	15.8	16.7	16.6	Less
III	14.7	14.7*	15.2**	More
IV	18.6	18.1*	18.7**	More

* Estimated figures.

** Based on estimated 5% increase in spring farrowings.

Barrow and gilt prices in the first quarter of 1963 should move about 2 to 4% higher than the \$16.50 per cwt. average established in 1962.

During the second quarter, expected supply and demand factors indicate that barrow and gilt prices will trend seasonally downward from the first quarter level, but should be about the same to slightly less than last year's level of \$16.10 per cwt.

Summer and fall slaughter rates and hog prices will depend a great deal on farrowing levels this winter and spring. Under the assumption that farrowings increase only 5%, slaughter rates should only be moderately — 4 to 6% — above a year earlier.

Based on expected farrowing and slaughter rates, hog prices during the third and fourth quarters of 1963 will not likely reach the high levels established in 1962. However, no severe price depressing situation appears likely at this time. Peak summer prices of around \$17 to \$18 per cwt. would be expected to occur somewhat earlier than in 1962.

In summary, if we assume only slightly higher production costs in 1963, profit prospects look more favorable in the first quarter of 1963 than a year earlier, about the same in the second quarter and somewhat less favorable in the third and fourth quarters.