

# California Swine Industry

transportation costs, price differentials, alternative farm enterprises, among factors affecting state's swine industry

J. B. Hassler

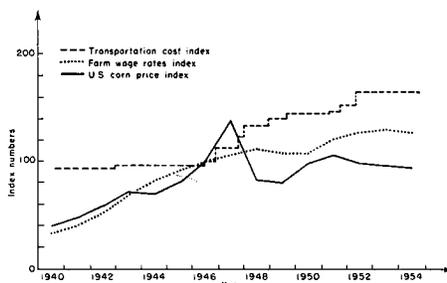
**Consumption of pork** in California has increased 50%—from 3.7 to 5.5 million head—since 1940. At the same time, local hog production has declined about 50%—from 1.0 to 0.5 million head—while the local slaughter has remained about constant at slightly over 2.0 million hogs. Live hog inshipments have increased sufficiently to offset the decline in local production. The state is in a heavy deficit position—as to production against consumption—with about 60% of the supplies being midwestern pork products, 30% midwestern live hogs, and only 10% from California farms.

Under conditions of deficient local production, California prices—on hogs, fresh pork, and cured pork—should be higher than comparable midwestern prices by amounts equal to the transportation costs involved. Increases in transportation costs would benefit California producers but decreases would be detrimental, provided other costs of production did not change.

A study of California prices in relation to midwest prices revealed:

1. Except for the effects of the vesicular exanthema epidemic—since early 1953—California hog prices have been consistent with midwestern prices plus transportation costs.

2. Fresh pork prices—loins and spare-ribs—have been generally higher in California than necessary to cover the in-



Comparisons of changes in transportation costs on hogs or pork products from Omaha to California markets with changes in farm wage rates and U.S. average corn prices. (1946 = 100).

shipment costs, and especially in San Francisco. Part of this excess price differential would be required to cover the risk of deterioration. It is only on fresh pork that California can expect to secure a slight price premium.

3. Cured pork prices have been slightly high at San Francisco and very depressed on the Los Angeles market relative to midwestern prices plus transportation costs. The situation at Los Angeles could be consistent with a generally accepted belief by national distributors that the price-increasing effect of restricting supplies in other U. S. markets would more than offset the price-depressing effect of marketing the excess in the Los Angeles area.

Relative transportation costs on hogs and pork products are significant in determining whether hogs or products have the inshipment advantage. This is a major concern for local slaughterers who depend on out-of-state hogs to maintain capacity in their plants. Prior to 1945, relative rates favored the live hog movement. Since November 1945, the relative transportation costs have provided about equal advantage for hog or pork product shipments.

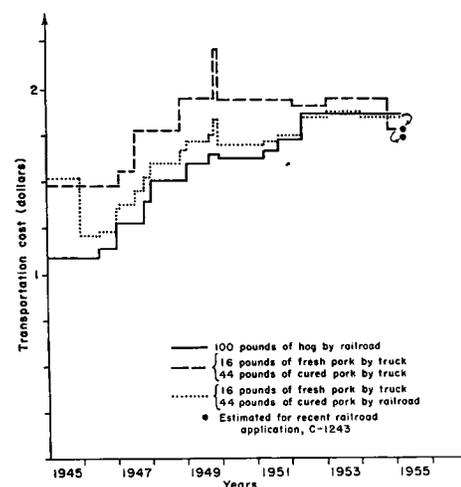
The effect of the recently proposed decrease on westbound meat rates by the railroads would be negligible for the swine industry—amounting to about 5¢ a hundredweight on cured pork products. Fresh pork rarely moves by rail because of longer transit time than trucks. It is even doubtful that the rate change would promote a rate decrease by truckers on beef movements—especially during the present situation of nearly adequate western supplies. Consequently, it would not appear reasonable

to support a commensurate decrease in the livestock rate, since such a change would primarily benefit out-of-state western feeders already in the supply area.

Trends in transportation rates, feed prices, and farm wage rates show that transportation rates increased least rapidly from 1930 to 1946 and increased most rapidly since 1946. This means that rate changes were to the advantage of the midwestern hog producer before 1946 and to his disadvantage since then. Consequently, it probably has not been increased midwestern competition that has caused the hog production decline in California but local competition from other agricultural pursuits in the state.

It is becoming apparent that in recent years demand for pork has been undergoing a real decline that is beyond the normal effects of low relative prices for beef and indicates a shift in consumer tastes. Part of this decline is undoubtedly due to an inefficient pricing system for hogs and pork products. More accurate and equitable live animal pricing and the use of more efficient product grading methods by processors would solve some of these problems. The movement toward these corrective measures must come from the members of the industry in the major producing and processing area of the midwest.

James B. Hassler is Lecturer in Agricultural Economics, University of California, Berkeley.



Alternative costs of shipping hogs or pork products from Omaha to Los Angeles. If San Francisco were the destination, the line per 100 pounds of live hog would be raised by amounts ranging from 4¢ in 1945 to 9¢ after May, 1952.

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