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The Changing Economics of U.S. Hog Production

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Abstract

The increasing size and specialization of hog operations reflect structural change in U.S. swine production during the past 15 years. The number of farms with hogs has declined by over 70 percent, as hog enterprises have grown larger. Large operations that specialize in a single phase of production have replaced farrow-to-finish operations that performed all phases of production. The use of production contracts has increased. Operations producing under contract are larger than independent operations and are more likely to specialize in a single phase of production. These structural changes have coincided with substantial gains in efficiency for hog farms and lower production costs. Most of these productivity gains are attributable to increases in the scale of production and technological innovation. Productivity gains likely contributed to a 30-percent reduction in the price of hogs at the farm gate.

Keywords: Hogs, farm productivity, production contracts, pork prices, scale of production, farm structure, total factor productivity

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