WEEKLY OUTLOOK
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PORK PRODUCTION TO REMAIN VERY HIGH

IN SPITE OF UNPROFITABILITY, hog producers have raised farrowing intentions above those reported in December. The 14-state Hogs and Pigs report released on March 20 by the USDA indicates large supplies of hogs for at least the next 11 months. Such high production will continue to keep pressure on prices.

The number of hogs being kept for market on March 1 was 46.6 million, an increase of 9 percent from the year before. Increases of heavy hogs were greater than those of light hogs. Market hogs 180 pounds and over were up 14 percent, those weighing 120 to 179 pounds were up 12 percent, the 60- to 119-pound category was up 9 percent, and hogs under 60 pounds were up only 6 percent. Hog slaughter during February was 28 percent above that of a year ago. The margin of increase over year-ago levels is becoming smaller and should be nearly equal to that of a year ago by summer.

The number of sows farrowed in December-February was up 3 percent from the year before. When producers first indicated their December-February intentions last September 1, the figures showed an increase of 10 percent; but on December 1, no change was indicated. In addition to more sows being farrowed than intended, the average number of pigs saved per sow was unusually high at 7.17. Thus, the pig crop was up 7.5 percent. These pigs will come to market from June to August. However, the number of hogs slaughtered in relation to pigs saved 6 months before was unusually large last summer. If the ratio is more typical, hog slaughter may be up only 2 percent.

On December 1, producers intended to decrease March-May farrowings by 1.3 percent. On March 1, they intended to keep the number of sows farrowing the same as last spring. If the second intention materializes, the pigs saved per litter hits the average, and the slaughter-to-pig crop ratio is normal, the slaughter in September-November will be down about 3 percent from last fall.

The first survey of farrowing intentions for June-August indicated a decrease of 3 percent. Potentially, that survey is subject to considerable change before those pigs become market hogs next winter.

What all of this says on the supply side is that instead of turning down hog numbers moderately as both intentions on December 1 and the profit-loss situation for the past 9 months suggested, pork production will remain at very high levels for at least the next year. Producers are not responding as usual to market signals. This may represent unusual optimism about future hog prices or pesimism about feed prices, corn and soybean meal in particular. The embargo on grain shipments to Russia occured between the two surveys. The stocks of corn and soybeans are very large.

Prospective supplies of pork are large, but that is only one side of the price equation. Beef production will be below year-ago levels during the second half of 1980. Broiler production probably will about equal year-ago levels during the second half of the year. All other things remaining equal, hog prices will go up at the underlying rate of inflation, which appears likely to be about 10 percent. The biggest question mark concerns consumer response to rising energy costs. Up to now, the consumer demand for livestock products has remained strong.

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