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THE OVER SUPPLY OF HOGS IS PAST

THE USDA'S REPORT ON HOGS AND PIGS RELEASED ON JUNE 20 indicates a moderate reduc- in the number of hogs coming to market during the next 12 months. The relief from the extremely low prices of the March-May period will be substantial. However, the big price increases recently may have carried the recovery as far as it will go before late 1980.

The Hogs and Pigs report revised the December-February estimate of the pig crop slightly upward for the 14 principal hog-producing states. These hogs should come to market during the June-August period, providing a supply of pork about 2 percent greater than last summer but down about 12 percent from the March-May quarter. The decreased supply has been the basis for the $10 price increase during June.

The March-May pig crop in the 14 states was placed at 24.9 million, down 1 percent from last year. A more normal ratio for the slaughter to the pig crop may result in an increase of about 2 percent from last fall.

The record supplies of pork are going to persist through next November. The price impacts of the large fall supply will be smaller. The market will have to continue to absorb a large supply, rather than suddenly take on an increase of 20 percent. Broiler supplies may be down as much as 5 percent, and there should be somewhat less competition from beef. The price of hogs (barrows and gilts in 7 markets) averaged $36.44 per hundredweight last September-November. Prices may hold 10 percent or so above that next fall.

Intentions to farrow during June-August indicate a decrease of 9 percent from 1979. The effect will be felt during next December-February. Over that period, the supply of pork will be down about 8 percent from the year earlier, but down 13 percent from the fall of 1980. If the present intentions to farrow materialize, there should be an ususually large price increase from fall to winter. It could carry hog prices above the $50 level.

The June 20 report contained the first survey of intentions to farrow during the September-November period, indicating a decrease of 10 percent from last fall. If those intentions materialize, the decrease in the supply of pork may be substantially more than 10 percent. During March-May this year, the slaughter of hogs was about 6 percent greater than it should have been as projected from the September-November pig crop of 1979. The extra slaughter probably was the result of liquidations of the breeding stock and statistical sampling errors. We should not expect a repetition next spring. If intentions to farrow materialize and if the slaughter-to-farrow ratio is normal, pork production may be down as much as 15 percent. The supply pattern indicates a moderate price increase from winter to spring, instead of the $7 decrease experienced during early 1980.

The supply numbers are fairly solid through next fall, but intentions to farrow don't always materialize. Price projections past next November are tentative.

The decreases in production shown by the report are somewhat deceptive because they are compared to the very big production in 1979. The total number of sows farrowed so far during 1980 plus intentions to farrow during the balance of the year indicate a drop of 5 percent. Even so, that would be 11.5 percent above 1978. The 11.7 million sows in the 14 states shows the largest number since 1970 and 1971. Intentions for the second half of 1980 are 4 percent above those for the second half of 1978. Thus, pork production is headed toward profitability, but slowly.

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