WEEKLY OUTLOOK
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HOG NUMBERS ARE DOWN; DO THEY MEAN IT THIS TIME?

THE MARCH 1 HOGS AND PIGS REPORT WAS A SHARP REVERSAL OF THE DECEMBER 1 report, which, in turn, was a sharp reversal of the September 1, 1980 report. If producers persist with their current plans, the reduced production should return hog prices to profitable levels by summer. After summer, profitability will be affected by 1981 crop production.

The 14-state inventory of all hogs and pigs on March 1 was 50.1 million, down 9 percent from 54.8 million on March 1, 1980. Hogs kept for breeding were down 11 percent at 7.2 million. There were 92 percent as many hogs kept for market as there were a year ago. The decreasing market supply of hogs over time is shown by the weight distribution of market hogs. The number of market hogs 60 pounds and over was down 6.3 percent. These are the hogs that should come to market during the March-May period. However, the number of market hogs under 60 pounds was down 11 percent, indicating a larger decrease in slaughter from spring to summer than last year. Based on the September-November 1980 pig crop we expect a March-May commercial slaughter of 23.7 million, and based on the December-February pig crop we expect a 19.3 million June-August slaughter. This spring-to-summer decrease of 18.7 percent sets the stage for a sharp increase in hog prices into summer.

Sows farrowing and intentions to farrow are down sharply, both from a year ago and from the December 1, 1980 intentions. On December 1 producers said they intended to farrow 2.58 million sows during December-February, down 6 percent from the year before. They actually farrowed 2.434 million, down 11.3 percent. On December 1, 1980 they said they intended to farrow 3.177 million sows during March-May, down 5.3 percent, but on March 1 they said they intended to farrow 3.023 million, down 9.9 percent. Adding the number of sows farrowing in December-February to the intentions to farrow during the March-August period and decreasing September-November farrowings a comparable amount indicates a total of 10.747 million sows to farrow in 1981, down 9.4 percent from the 11.866 million that farrowed in 1980 and down 12.8 percent from 1979. The total in

1978 was 10.543 million. If current intentions hold, hog producers will reduce production from mid-1981 to mid-1982 to about the level of 1978, when hog production was profitable. Whether hog production is profitable in 1981-82 will depend not only on holding production at the intended level but on the size of the 1981 feed crops and feed costs.

Taking into account prospective beef and broiler production, a slow growth in the general economy, and slightly moderated inflation, prospective pork production suggests that hog prices will be about $45 during the next 60 days, rise to $55-60 during the summer, and then drop to a September-November average of about $50.

Fifty dollar hogs next fall will be only 3 dollars above last fall's price. Current futures prices of corn and soybean meal add up to feed costs of about $33.50 per hundred pounds of pork. All other costs will be about $19.25 next fall, requiring a price of $52.75 to break even. The scheduled decrease in spring farrowings is barely enough to return hog producers to break-even levels. Where feed costs go from this time forward will depend on prospective corn and soybean production.

Now is not a time for hog producers to expand production in response to rising hog futures prices.

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