WEEKLY OUTLOOK
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WILL HOG PRODUCTION REALLY BE CUT?

THE FOURTEEN-STATE HOGS AND PIGS REPORT OF MARCH 1, realeased on March 19, was a major surprise to the market, and prices increased sharply. The market had anticipated a major cut in output but not as much as indicated by the report. It is clear from the report that after holding about steady for the next 60 days, pork production will decrease more than seasonally into the summer and that a substantial increase in prices will probably occur. Given the surplus of corn and abundance of soybeans, we must question whether the major decrease in spring farrowings and therefore fall pork production will materialize.

The inventory of all hogs and pigs in the 14 principal producing states was 44.9 million head, down 10 percent from March 1, 1981. Hogs kept for market totaled 38.7 million, also down 10 percent from a year ago. Hogs kept for breeding numbered 6.2 million, a decrease of 14 percent. The December-February pig crop was 15.6 million, down 11 percent from that of last year. Intentions to farrow during the March-May period decreased by 14 percent. When asked on December 1, 1981, about March-May intentions to farrow, producers indicated a decrease of 11 percent. Thus they have became further discouraged about hog prospects during the past three months. The report included the first intentions for June-August farrowings and showed a decrease of 12 percent from those of last summer. Hog production is down sharply from a year ago, and prospects indicate an even larger decrease during the remainder of 1982, extending into 1983.

There is, typically, a moderate seasonal increase in hog slaughter from the December-February to the March-May quarter. This year, however, the inventory of market hogs 60 pounds and over suggests a slight decrease. Over the past 13 years, the average seasonal reduction of pork production from the March-May quarter to the June-August quarter has been 11.4 percent. This average spring-to-summer decrease in production has in the past been associated with an average price increase of 14.2 percent. The March 1 inventory of market hogs this year indicates a decrease of 21 percent. Should the ratio of the last 13 years apply this year, the price of hogs would increase 26 percent and rise to about $65 per hundredweight.

If intentions to farrow 2,646,000 sows in the 14 states during the March-May quarter materialize, the number farrowed will be the smallest for that period since 1975. In 1975 only 2,428,000 sows were farrowed because of the disastrous 1974 corn crop. The average number of sows farrowing from March to May for the 1976-1981 period was 3,080,000. Thus intentions to farrow this year are 14 percent below the six-year average. Such a small pig crop is inconsistent with the corn surplus situation. The projected carryover of 2 billion bushels of corn plus production from a normal weather year will yield a record corn crop and put additional pressure on corn prices. The current December corn futures price of $2.90 per bushel is equal to a cash price of $2.50 at harvest. December hog futures are more than $53.00 as this outlook letter is being written. At average nonfeed costs of $20 per hundredweight and soybean meal at $180, corn fed to a $53-hog is worth $3.75 per bushel. At such a huge premium for hogs, a 14 percent cut in supply is not likely to materialize.

If the anticipated strength in cash hogs into the summer materializes, the October, December, and February hog futures prices will probably also increase. It is highly probable that hog futures will offer favorable pricing opportunities during the next 100 days. The prudent course of action is to take advantage of the opportunities when they are offered. *[Prepared by Thomas A. Hieronymus, Professor Emeritus, Agricultural Economics.]*

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