WEEKLY OUTLOOK
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HOGS AND PIGS REPORT INDICATES CONTINUED PRICE STRENGTH

THE USDA HOGS AND PIGS REPORT RELEASED JUNE 22 confirms the reduction in supplies indicated in March and projects reduced supplies through May, 1983. The projection of decreased supplies through November is based on actual inventories and should materialize. The estimate of hog production between next December and the following May is based on farrowing intentions and is subject to change.

The June 1 inventory of all hogs and pigs was 52.0 million head, down 13 percent from 59.7 million one year ago. The 7.4 million head kept for breeding was 12 percent less than on June 1, 1981, and the number kept for market was 13 percent less. The number of market hogs under 60 pounds was down 18 percent, whereas the number of hogs 60 pounds and over was down only 9.4 percent. The number of market hogs 60 pounds and over is larger than was expected on the basis of the March 1 estimate of the December-February pig crop. The inventory and the rate of slaughter during June suggest that the December-February pig crop was underestimated.

The data on inventory, pig crop, and intentions to farrow are used to project slaughter. The March-May pig crop projects to a September-November slaughter of 20.0 million head, down 14.3 percent from the same period in 1981. This projected slaughter is substantially smaller than the September-November slaughters in 1979 and 1980. It is about equal to the fall slaughter from 1976 through 1978. Our new estimate of the slaughter this fall is 4.2 percent larger than the estimate we made three months ago.

The new estimate of the December-February slaughter is 19.2 million head, down 5.7 percent from last winter. However, it is up 3.7 percent from the estimate we made following the March 1 report. The first statement of intentions to farrow during September-November indicate a decrease of 9.0 percent from last fall and projects to a comparable decrease in slaughter during the spring of 1983. In summary, projections of hog slaughter during the next twelve months are 11.3 percent below the slaughter during the past twelve months. They are a return to the slaughter levels that prevailed during the 1976-1978 period.

These supply projections point to continued strong hog prices. We should expect a moderate decrease from summer highs during the fall and early winter. The decrease will probably not exceed 5 percent. On the basis of pork supply projections alone, we should expect hog prices to stay above $55. However, part of the current strength in hog prices is the result of slightly smaller broiler production than last summer. Indications are that broiler production will remain about equal to last year. Broiler production can be increased quickly.

Sixty-dollar hogs are not compatible with a surplus of corn. With the non-feed costs of producing hogs at $20 per hundredweight and the price of soybean meal at $185 per ton, a bushel of corn is worth $4.95 when fed to a hog, compared to $2.65 on the market. Such an imbalance will not exist indefinitely. The carry-over of corn will approach 2 billion bushels on September 30, compared to 1.0 billion last fall. As the 1982 corn crop progresses and promises to be large, we should expect unused hog facilities to be reactivated. The September *Hogs and Pigs* report will probably show an increase in pork production.

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Note: Because two high-priority USDA reports were released this week, two issues of *Weekly Outlook* will be published this week and none next week.

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