WEEKLY OUTLOOK
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# HOGS AND PIGS REPORT IS UNUSUALLY SIGNIFICANT

THE DECEMBER 1 SURVEY OF HOG INVENTORIES AND PORK producers' intentions for future production will be released December 22 and is of unusual significance. It will answer the question of whether hog numbers are turning down in response to PIK and drought and leading to quite high prices next summer. It will also answer questions about the level of demand, hence price, of corn and soybean meal between now and the next harvest. There is also a more general question that the report will answer. Hog producers have alternately overexpanded and contracted; this has resulted in widely rising prices and, probably, weakened consumer demand. Will cycles continue or will production stabilize?

In looking forward to what the report will show, we realize that a complicating factor is the larger than projected slaughter since October 1. Federally inspected slaughter has been running nearly 20 percent over year-ago levels, whereas the size of the March-May pig crop indicates a 15 to 17 percent increase. Is there liquidation or was the spring crop underestimated?

The September USDA *Hogs and Pigs Report* indicated a June-August pig crop of 17,675,000, up 8.7 percent from 1982, indicating larger winter hog supplies than last year but a much bigger than usual supply reduction from fall to winter. This is the reason that February futures prices have sharply exceeded December futures for the past three months.

On June 1, hog producers said that they intended to increase the number of sows farrowing during September-November by 8.3 percent; but on September 1, following the hot, dry summer, they intended to increase the number by only 4.5 percent. What effect did the high September corn and soybean meal prices have on actual farrowings? There was probably some further decrease but still more farrowings than in the fall of 1982.

On September 1, hog producers said that they intended to reduce the number of sows farrowing during December-February by one percent. Have the major decreases in corn and soybean meal prices since early September modified this? We may see little if any change from year-ago farrowing intentions. The number of hogs available for slaughter next summer may be about equal to last summer's figure.

The new report will be the first indication of producers' intentions about the key March-May farrowing period. In the past, the level of profitability three quarters earlier has been a fairly reliable indication of change in sows farrowing. The losses incurred last summer as feed costs rose and hog prices decreased suggest a reduction of about five percent during March-May. However, the number of sows farrowing last March-May, while a major increase from the year before, was just about equal to the average of the past eight years. It may be that hog producers have had enough of "boom and bust" and will stabilize numbers at last year's level.

Futures prices for summer delivery have been about $53.50 in recent days. When corn in central Illinois is $3.21 and soybean meal at Decatur is $216.50, a $53.50 hog price is not conducive to liquidation. While the general expectation is that there will be a cut in the spring pig crop, a stabilization of hog supplies at current levels will not be surprising.

Regardless of producers' intentions to farrow, pork supplies will exceed year-ago levels for at least the next six months. Last spring, hog prices were in the $47.50 area. The most encouraging thing in the hog market is the sharp increase in price in spite of the unexpectedly large slaughter. It went from $38.00, Omaha, in mid-November, to $46.50 on December 12 without a significant cut in the slaughter rate. During the same time period, wholesale beef at Midwest markets increased from 91 to 98 cents. Consumers may be coming back to the meat counters.

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