WEEKLY OUTLOOK
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STABLE TO DECREASING PORK PRODUCTION LIKELY

THE *HOGS AND PIGS* REPORT ISSUED DECEMBER 20 shows that hog producers have not expanded and do not intend to expand production. Pork supplies will remain significantly below year ago levels during the first half of 1985 and during the second half as well if current farrowing intentions materialize. By itself this indicates higher hog prices for the year. However, the decrease in pork production will be offset by an unusually large increase in broiler production.

There were 17.1 million head of market hogs and pigs weighing 60 to 179 pounds in the ten principal producing states on December 1, 4 percent fewer than a year ago. These hogs should come to market during January-March. During the first quarter of 1984, hog prices at the seven principal markets averaged $47.68. Last year hog prices were stronger than they might have been because inventories were accumulated in anticipation of summer shortage.

The September-November pig crop in the ten principal states was 17.4 million head, down from 17.7 million head during the same period of 1983. These pigs will come to market primarily during the April-June quarter. Pork production during the quarter should be down 2 to 3 percent from last spring, 4 percent from 1983, just about equal to 1982, and down 7 percent from 1981.

Intentions to farrow during December-February were 1,940,000 sows, essentially unchanged from intentions three months earlier and down 1 percent from a year ago. Pigs from this period constitute the July-September market supply. Slaughter last summer was unusually large in relation to the number of sows farrowed during December-February. If farrowing intentions materialize as indicated, we should expect a 3 percent smaller pork supply next summer. We should not expect a repetition of last year's inventory accumulation during the winter and spring, which should help hog prices next summer.

The first expression of intentions to farrow during March-May was 2,353,000, down 5 percent from last spring and down 15 percent from the spring of 1983. If intentions materialize, it will be the smallest March-May farrowing since 1975. The breeding herd was down 5 percent on December 1, consistent with the reduced intentions to farrow. Given the large corn supply, which ties the price of corn to the loan rate, and the very low prices of soybean meal, the failure to expand hog production is somewhat surprising. The prospective decrease is consistent with the unprofitability of hog production during most of 1984. If farrowings materialize as currently intended, if pigs per litter equal the average of the last three years, and if the slaughter to pig crop ratio is average, pork production next fall may be 9 percent below last fall. These are three big ifs. In 1976, actual farrowings were 14 percent above first intentions, in 1979, 6 percent above, and in 1983, 19 percent above.

As projected from the December report, pork production in 1985 may be 5 percent below 1984, indicating higher hog prices. We note talk of $60 hogs in the summer. The big offsetting factor is competition from broilers. During the second half of 1984, broiler production exceeded the year earlier level by 8 percent. We are projecting 277 million pounds less pork production during the first half of 1985, but this is more than offset by a projected increase of 345 million pounds of broiler production. The decrease in pork supplies next summer will be more than offset by increased broiler production. The only hope for strong hog prices is a decrease in beef production, which may or may not develop.

In the face of prospectively large total meat supplies, poor consumer response in recent years, and the abundance of low cost feed, producers will be well advised to take a careful look at futures prices, particularly summer and fall delivery months. Profits should be taken when they are available.

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