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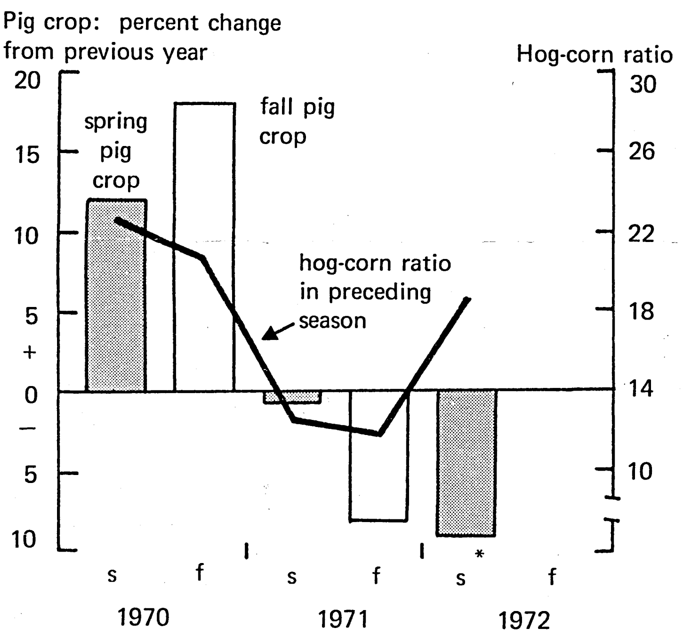
HOG PRICES strengthened in recent weeks after being depressed by excess supplies during much of 1971. Prospects for further improvement in 1972 appear favorable according to the latest **Hogs and Pigs** report. Hogs on U. S. farms as of December 1 were estimated to total 63 million head—down 7 percent from a year ago. The decline represents a 10 percent decrease in hogs for breeding purposes and a 6 percent reduction in hogs intended for market.

Hogs which will be marketed late in the first quarter show the greatest decline in numbers compared to a year ago. Market hogs weighing under 120 pounds numbered 7 percent less, while those weighing between 120 and 220 pounds were down 4 percent. Market hogs weighing over 220 pounds were down 7 percent from a year ago, reflecting declines in hog slaughter during late December.

The ten major hog-producing states in the Midwest—which account for nearly three-fourths of the nation's total supply of hogs—continue to pace the cutback. As of December 1, the number of hogs on farms in these states was down 8 percent from the year-earlier level. Hogs on farms in Iowa, the number one hog-producing state, declined 9 percent, while those in second-ranked Illinois fell 12 percent. Hog numbers in third-ranked Indiana increased 1 percent. These three Seventh District states account for well over two-fifths of the nation's total swine inventory.

1971 Pig Crop Intentions Down Despite Improved Hog-Corn Price Ratio



*Intentions.

The cutback in hog production is in response to the extremely low returns to hog farmers from late 1970 through most of 1971. Increased pork supplies coupled with the highest corn prices in 20 years resulted in losses for many hog producers. Commercial hog slaughter for all of 1971 is estimated at 10 percent above the year-earlier level. Practically all of this increase occurred in the first three quarters as reflected in hog prices which averaged $17.50 per hundredweight, compared to nearly $24 during the same period in 1970.

Most of these factors have undergone sharp reversals in recent weeks, completely altering the profit potential to hog producers. Prices have climbed to around $21 per hundredweight, as slaughter has fallen substantially below year-earlier levels. In addition, the sharp drop in corn prices has boosted the hog-corn price ratio to more than 19, compared to an average of only 13 during the first three quarters—the lowest in six years.

Despite this marked improvement, hog farmers apparently remain skeptical. December 1 farrowing intentions indicate hog producers may hold farrowings to 10 percent below the year-earlier period during the next six months, although final actions may differ if feed grain prices remain low. These intentions portend a 1972 spring pig crop of 47.8 million head—the lowest in three years. There are some indications, however, that farrowings in the ten major hog-producing states in the Midwest will decline less than other states, reversing recent trends. For example, hog producers in the Midwest plan to cut farrowings only 9 percent, compared to 13 percent for all other states.

Although hog supplies and farrowing intentions are bullish, the obvious decline in pork supplies may be moderated somewhat by heavier market weights. After lagging year-earlier slaughter weights by an average of six pounds per head during the first half, second-half weights closely approximated year-ago levels and currently average around 243 pounds. Continued favorable feed prices could result in slightly heavier weights in coming months. This could be partially offset, however, if hog producers decrease marketings in favor of building breeding stocks.

Hog producers should experience larger profits during most of 1972. Although prices will fluctuate, nearby prospects point to a continued upward trend as marketings continue to decline. Prices in the second half should hold well above 1970 levels if current farrowing intentions are realized. Although higher prices at the retail level may lower per capita consumption, demand should be sufficient to handle available supplies. Moreover, lower feeding costs will substantially improve operating margins.

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