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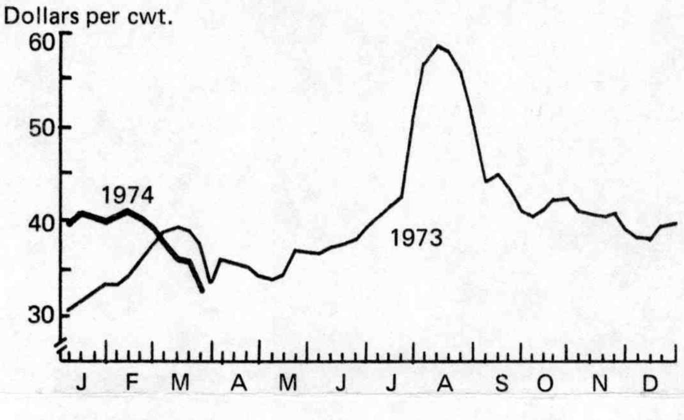
HOG PRICES have trended downward recently, hitting a 14-month low last week. The decline coupled with high feed prices have cut producers' profits and likely will delay further any turnaround in pork production. According to the latest *Hogs and Pigs* report, farrowings in the 14 major states fell slightly below the year-earlier pace during the December 1973-February 1974 period. This was in contrast to earlier intentions that suggested a 1 percent increase. Further evidence of an extended delay in pork production was suggested by the lack of an increase in the breeding stock of hogs and by current farrowing intentions, which suggest a possible 1 percent decline in farrowings during the next six months.

The winter pig crop (December 1973-February 1974) in the 14 major states fell nearly 3 percent short of the year-earlier level even though farrowings were about equal. The latest cutback in the pig crop slightly exceeds the 2 percent reduction in the September-November 1973 pig crop and reflects a continuing decline in the number of pigs saved per litter. Overall, the 6.9 pigs saved per litter for the winter pig crop was down from 7.08 pigs during the same period last year and 7.3 pigs two years earlier.

Omaha Hog Prices Down Sharply



Despite the drop in the pig crop during the past six months, the U. S. Department of Agriculture estimates that the total inventory of hogs and pigs on farms in the 14 major states was up 1.9 percent from a year ago on March 1. (The 14 states account for about 85 percent of the total U. S. inventory.) Hogs intended for market numbered 2.3 percent more than a year ago, while hogs held for breeding purposes were nearly the same. Heavyweight market hogs numbered nearly 9 percent more than a year earlier, while those weighing 60 to 180 pounds were up 3 to 4 percent. The inventory of pigs under 60 pounds was down 2 percent, largely reflecting the smaller winter pig crop.

Projections of hog slaughter during the next six months are likely to range from down 2 percent to up 2 percent, reflecting the divergent trends in the USDA's estimates of the change in the pig crop and the change in the inventory numbers. Based on recent experience, however, the change in actual slaughter may more closely approximate the decline in the pig crop than the increase in inventory numbers. For example, the previous report indicated the June-November 1973 pig crop was down 3 percent, while the December 1 inventory of market hogs was up 4 percent from the year-earlier level. Hog slaughter during the December-February period, however, was down 2 percent from the year-earlier level.

The reduction in hog slaughter during the December-February period was due entirely to large declines in marketings in December and again during the truck strike in the early part of February. Since mid-February, hog slaughter has been up nearly 2 percent from the year-earlier level. Total pork production, moreover, has been up over 4 percent as a result of the heavier weight of hogs moving to market. These larger supplies, coupled with close to year-earlier levels of beef production, contributed to the recent declines in hog prices.

Declining prices also reflect, in part, a less vigorous consumer demand for meat. This slowdown in demand is partially associated with consumer pessimism over the generally sluggish economy, rising unemployment, and continuing strong inflationary pressures. At the same time, the marginal declines in retail meat prices have fallen far short of matching the reduction in farm level prices. The farm-to-retail price spread for pork averaged 24 percent above the year-earlier level in the fourth quarter of last year. In January, the spread held steady but ballooned again in February and averaged 40 percent above the year-earlier level for the two-month period. Retail pork prices in January and February were down only 11 percent from last summer's peak, while hog prices were down 30 percent.

The softening in consumer demand at prevailing retail prices has been evident in sharply higher cold storage stocks of meat. As of the end of February, total cold storage stocks of pork were 52 percent above the year-earlier level while beef was up 21 percent.

Hog prices are expected to trend upward during the next few months. Traditionally, pork supplies decline seasonally during the second quarter, and some additional marginal declines from year-earlier levels would also appear probable during the next few months. Upward price pressures from reduced pork supplies could well be reinforced by year-to-year lags in beef slaughter, particularly in the latter part of the second quarter. The extent of any rise in prices, however, could well be determined by the willingness of processors and retailers to accept lower margins to rekindle consumer demand.

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