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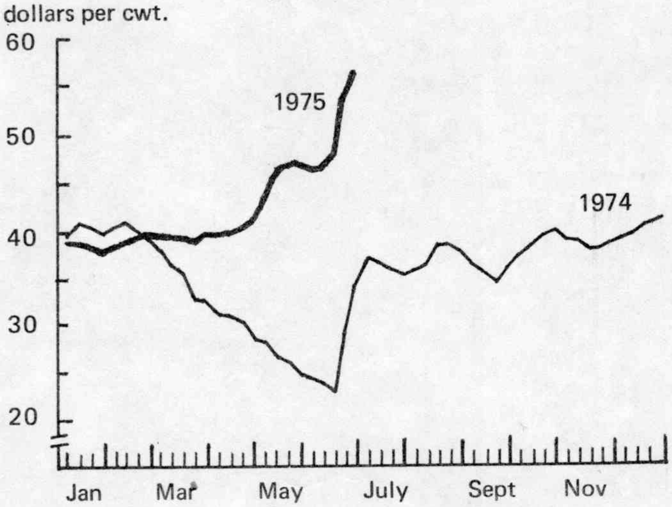
HOG PRICES have risen sharply, but producers are apparently awaiting clearer evidence of available feed supplies before expanding production. According to the U.S. Department of Agriculture, sow farrowings throughout the past six months fell short of earlier-expressed intentions. Moreover, the depleted inventory of breeding stock in combination with current farrowing intentions suggest hog production will not expand for at least several more months. These developments portend exceptionally low pork supplies through mid-1976.

Hog Prices at Omaha



According to the U.S. Department of Agriculture, hog producers farrowed only 4.9 million sows during the past six months, down 23 percent from the same period a year ago and 8 percent short of the farrowing intentions expressed last December. The curtailed farrowings resulted in the smallest December-May pig crop in 40 years and reduced the June 1 inventory of all hogs and pigs on farms by nearly one-fifth from the year-ago level.

The inventory of hogs intended for market on June 1 was down more than 19 percent from the year-earlier level. Heavyweight hogs—220 pounds or more—were down 37 percent, while hogs weighing 120 to 219 pounds numbered 12 percent less than a year ago. The inventory of market hogs and pigs weighing less than 120 pounds was down 21 percent. The June 1 inventory of hogs and pigs held for breeding purposes was 17 percent short of the year-ago level and—in contrast to the usual seasonal rise between December and June—somewhat below the level reported six months ago. Many observers had anticipated some rebuilding in the inventory of breeding hogs, reflecting the high hog prices and the sharply lower volume of sow slaughter.

Hog slaughter has been markedly below year-ago levels throughout the first-half of 1975 and even larger declines are in store for the second half. Hog slaughter in the first quarter fell 7 percent short of the same period in 1974 and preliminary evidence suggests the second-quarter decline widened to around 15 percent. Year-to-year declines in commercial pork production during the first half were 3 to 4 percentage points larger than the declines in slaughter, due to the lighter average weight of hogs marketed. During the second half slaughter weights may average close to, or slightly above, the year-ago level.

The volume of hogs slaughtered during the next 12 months will largely reflect the size of the December 1974-December 1975 pig crop and the response of hog producers to incentives for rebuilding breeding stocks. Based on the December 1974-May 1975 pig crop, it would appear that hog slaughter during the second half of this year will average more than one-fifth below the year-ago level. For the first half of next year, current farrowing intentions suggest hog slaughter will fall by more than one-tenth from the low level of this year. Any significant buildup in the inventory of hogs held for breeding purposes, however, would result in a somewhat larger decline in slaughter during the next 12 months. Continued favorable crop conditions throughout the summer and fall would likely be reflected in a further rise in the hog/corn price ratio and trigger a significant buildup in the inventory of breeding stock during the latter part of this year and well into 1976. Recent sharp increases in hog prices have boosted the current hog/corn price ratio to around 18, compared to about 11 a year ago.

Hog prices will continue at exceptionally high levels due to the short pork supplies. Slight increases from the current level of around $55 per hundredweight may occur through July as slaughter continues to decline seasonally. By midsummer, however, downward pressures will likely be evident as both cattle and hog slaughter begin to pick up seasonally. Although projections of cattle slaughter are highly uncertain—due to added marketing flexibilities inherent in the increased proportion of cattle outside of feedlots—most observers anticipate record beef supplies during the latter half of this year will offset most of the reduction in pork supplies. As a result, hog prices may retreat to the mid-$40 to $50 range this fall.

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