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HOG PRODUCTION continues on an upswing promising larger pork supplies in the year ahead. According to the USDAs recent *Hog and Pigs* report, the June-November, 1976 pig crop rose 18 percent above the year-earlier level. Moreover, current farrowing intentions indicate the December 1976-May 1977 pig crop might be up about 5 percent. These trends imply 1977 hog slaughter will hold well above year-earlier levels and hog prices will average below the level of the past 12 months.

The increase in the June-November 1976 pig crop was somewhat higher than suggested in earlier farrowing intentions, but about in line with the expectations of most observers. Nevertheless, the December 1, 1976 inventory estimates reflect a surprisingly small increase from those of a year ago. According to the USDA, the December 1 inventory of all hogs and pigs on farms was up only 11 percent from a year ago. The overall rise encompassed a 5 percent increase in hogs held for breeding purposes and a 12 percent rise in the inventory of hogs intended for market. With the exception of market hogs weighing less than 60 pounds—which numbered 15 percent more than a year ago—all other weight categories were up a rather uniform 9 to 11 percent.

Historically, year-to-year percent changes in the June-November pig crop closely approximate the percent change in the December 1 inventory. The same is true regarding changes in the December-May pig crop and the June 1 inventory. From 1965 to 1975, the differential between the year-to-year percent change in pig crop estimates and the year-to-year percent change in inventory estimates averaged 1.4 percentage points. With the exception of late 1973—when marketing distortions following the imposition of price controls on food carried the differential to 6.0 percentage points—the differential never exceeded 2.6 percentage points. In June, 1976, however, the differential soared to 6.6 percentage points as based on recently revised estimates that indicate the December 1975-May 1976 pig crop was up 18.8 percent while the June 1 inventory was up 12.2 percent from a year ago. And based on the most recent report, the differential rose to 7.2 percentage points in December. These unusually wide differentials raise questions about the accuracy of the estimates and generate a wide range in projections of future hog slaughter.

Slaughter projections for the first-half of 1977 vary, depending on whether one relies on the inventory estimate or the pig crop estimate as the better barometer of pending slaughter. It is noteworthy, however, that six months ago the pig crop estimate was a much better indicator of the apparent 23 percent rise in second-half 1976 hog slaughter than was the June 1 inventory estimate. It may also be noteworthy that second-half slaughter substantially exceeded the implications of even the upward revised pig crop estimate. Based on these considerations, it might be reasonable to discount the surprisingly low inventory numbers. Therefore, it would appear that the current June-November pig crop estimate would support prospects for a near one-fifth year-to-year rise in hog slaughter during the first half of 1977. Even larger increases could occur if—as many observers expect—current estimates contain sampling errors that preclude an accurate reflection of the expansion in hog production.

Second-half 1977 slaughter will largely reflect the number of pigs produced during the next few months. Based on current farrowing intentions, it would appear the December 1976-May 1977 pig crop might be up approximately 5 percent, indicating year-to-year gains in pork production will likely continue throughout the second half of 1977.

Hog prices will average well below 1976 levels in the year ahead as a result of the increased pork output. Despite recent gains that have carried hog prices at Omaha close to $40 per hundredweight, it's doubtful that these higher levels can be maintained. While lower beef production and a strong consumer demand may offset part of the impact of larger pork production, poultry output is expected to be larger. On balance it would appear that hog prices might average below the $35 per hundredweight level during the first half of next year.

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