

Prices for market barrows and gilts began a significant upward trend in July, 1974. By spring of 1975 hog feeding profits had improved substantially over a year earlier. Improved profits would be expected to lead to expanded production. The Hogs and Pigs Report for 14 states released September 19, 1975 by the Statistical Reporting Service indicated sow farrowing intentions for September-November are down 7 percent. While December-February farrowing intentions are up 6 percent, the resulting increased pork production available by mid-year should not significantly affect prices.

Past production cycles and corn-hog price relationships, suggested that production would be increased the last half of 1972. However, it has not yet increased. A possible explanation is relatively high corn prices since 1972. Table 32 shows average monthly Topeka cash corn prices from 1972 to June, 1975. High corn prices, uncertain hog markets, and high facility costs apparently have caused many corn-hog producers to choose the cash corn alternative. In addition, rising corn prices in late 1973 and through 1974 obviously increased feeding costs and limited hog feeding profits until this spring.

If high corn prices have been responsible for declining production, the important question is what corn price will stimulate expansion? At best, we can only guess. Assuming corn belt corn production costs are \$1.75-2.25 per bushel, corn around \$2 a

bushel should stimulate hog expansion. That assumes continued strong hog prices of at least \$40 per cwt. and other costs remaining about unchanged from current levels.

Table 32. Average monthly cash corn prices, Topeka: 1972-1975.

|           | Dollars per bushel |        |        |        |
|-----------|--------------------|--------|--------|--------|
|           | 1972               | 1973   | 1974   | 1975   |
| January   | \$1.08             | \$1.48 | \$2.61 | \$2.89 |
| February  | 1.12               | 1.46   | 2.80   | 2.70   |
| March     | 1.13               | 1.42   | 2.61   | 2.72   |
| April     | 1.14               | 1.48   | 2.40   | 2.75   |
| May       | 1.15               | 1.75   | 2.43   | 2.70   |
| June      | 1.14               | 2.07   | 2.61   | 2.75   |
| July      | 1.16               | 2.34   | 3.13   |        |
| August    | 1.18               | 2.39   | 3.42   |        |
| September | 1.24               | 2.20   | 3.40   |        |
| October   | 1.22               | 2.23   | 3.58   |        |
| November  | 1.29               | 2.33   | 3.42   |        |
| December  | 1.40               | 2.44   | 3.31   |        |

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Prospects for the corn market this fall are considerably above \$2 per bushel. Estimates for the 1975-76 marketing year average between \$2.50 and \$3 per bushel. Therefore, unless unforeseen events significantly alter corn-hog production or price relationships, we do not anticipate increased hog and pork supplies within the next 8 months.

### Current Situation

#### Supplies

Hogs and pigs on U.S. farms June 1, 1975 were estimated at 48.2 million, 19 percent below a year earlier and 20 percent below June 1, 1973. The pig crop December, 1974 through May, 1975 was estimated at 35.3 million, down 22 percent from a year ago and the smallest since 1935. Number of hogs kept for breeding--7.4 million--was the lowest June 1 or December 1 inventory recorded since such data collection began in December, 1963.

Hog producers in the U.S. intend to farrow 13 percent fewer sows during June-November, 1975, than a year earlier intentions, and their allowances for projected litter size, if realized, indicate a pig crop of 34.1 million, down 12 percent from a year ago and the lowest since 1954.

Hog slaughter and pork production the first half of this year were down 11 percent and 14 percent, respectively, from a year earlier. Pork supplies are expected to be down 20-25 percent in the last half of this year.

#### Demand

Reduced supplies of pork at least until mid-76 mean continued strong retail and live hog prices. Price trends since the second quarter, 1974, are shown in table 33. Live hog and pork prices have been increasing while fed cattle and beef prices have been up and down. Live hogs averaged \$0.76 per cwt. higher than choice steers the fourth quarter last year. The quarterly difference increased the first quarter this year when hog prices exceeded steer prices \$3.38 per cwt., a historical breakthrough for hog prices.

Weekly average hog prices have been running as high as \$7 or more per cwt. above steer prices in recent weeks. That trend is expected to continue if consumer demand holds. Reduced per capita supplies of pork and consequent higher retail prices have not yet met consumer resistance. Resistance is likely as seasonally increased supplies of beef and poultry become available later this year.

#### Summary

Feed grain prices, particularly corn prices, will be the most important factor affecting both profits and expansion plans for hog producers this year. The other factor in the profit equation--hog prices--should continue strong enough to be profitable even if corn reaches \$4 per bushel, but corn prices above \$2.25 per bushel make the cash corn market competitive with hogs.

Prices in the months ahead are extremely uncertain, but fundamentally, there is little apparent reason to expect anything but a strong hog market, except that market depressing psychology of consumers or processors may develop. That is hog markets could weaken simply because market participants "feel that prices are just too high."

We estimate average prices for barrows and gilts (Omaha) will be, respectively: \$52-56, \$50-55, and \$50-60. Strong consumer demand for pork, lower than expected beef supplies, and corn prices below \$2.50 per bushel would support hog prices in the higher end range, with a distinct possibility of even higher prices.

Table 33. Quarterly hog and cattle prices at indicated markets.

|   | Quarter |       |       |       |       |
|---|---------|-------|-------|-------|-------|
|   | 1974    |       | 1975  |       |       |
|   | II      | III   | IV    | I     |       |
| Pork at retail, ¢/lb.                   | 99.3    | 107.4 | 111.0 | 114.4 | 123.1 |
| Market hogs, 7 midwest markets, \$/cwt. | 28.0    | 36.55 | 38.97 | 39.35 | 47.11 |
| Beef at retail, choice ¢/lb.            | 134.5   | 141.0 | 134.5 | 129.6 | 146.5 |
| Choice steers, U.S. average \$/cwt.     | 39.52   | 44.21 | 38.21 | 35.97 | 47.3  |