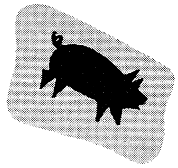
Why is the Demand  for Pork  Dropping?

As you may have expected, there's more behind the hog price situation than meets the eye. Production is still high in the face of decreasing demand for pork. And supplies of beef have also had their effect on hog prices.

by Geoffrey Shepherd

HOG PRICES recently have been running lower than usual in relation to the prices of other farm products. Why? Is this condition likely to continue? And what can be done about it?

What can best be done about it depends mostly on what has caused it. A doctor called in to treat a patient with low blood pressure, for example, needs to determine what caused the condition, before he can prescribe a treatment.

The average price of all farm products in the United States is low—only 82 percent of parity—because total agricultural production in the United States has been increasing faster than the demand (chart 1). But hog prices are particularly low, for additional reasons.

One of the most important reasons is that there is a long-time decline in the demand for pork.

The decline in the demand for hogs relative to beef cattle is shown in chart 2. This chart shows that the long-run trend of hog prices relative to beef cattle prices has been declining about 1 percent per year over the past 45 years.

The per capita consumption of pork has remained roughly constant. So has the per capita consumption of beef—except for an increase over the past few years. This means that the low price of hogs hasn't been due merely to large supplies of hogs. It means that the demand for pork has been declining fully as much as hog prices have been declining.

Why the Decline?

The relative demand for hogs has fallen off partly because of the decline that has taken place in the demand for lard. But the demand for *pork* has declined in its own right—in addition to the decline in the demand for lard. Chart 3 shows this decline in the per capita demand for *pork* at retail.

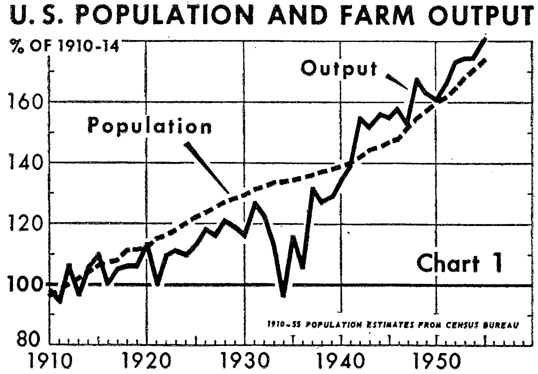
Before World War I, consumers in the United States spent about 3 percent of their disposable income for pork and about the same percentage for beef. During the 1920's consumers spent more for pork than for beef. After 1936, they spent about the same percentage of their income—2½ percent—for both pork and beef. During World War II, both percentages declined. By 1947, the percentage for both had risen to about 3. Since 1947, the percentage spent for beef has stayed up close to 3, but the percentage spent for pork has declined to 2.

What are the reasons for this decline in the demand for pork? And is the decline likely to continue?

There are three reasons why the per capita demand for pork is declining.

First, most occupations, agricultural as well as industrial, are becoming less muscular. Steel workers are doing things with

U. S. POPULATION AND FARM OUTPUT



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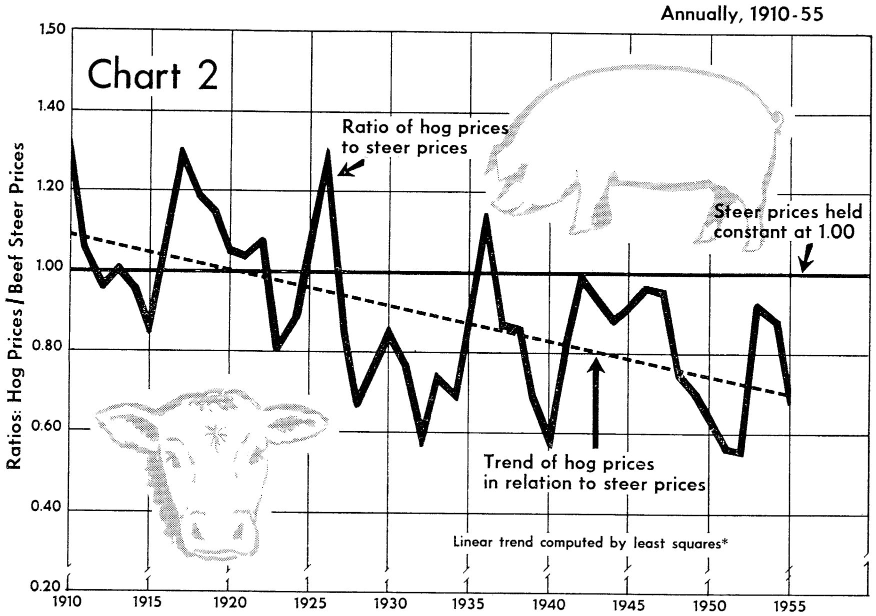
Ratios of Chicago Hog Prices to Chicago Slaughter Steer Prices*



push-buttons that they used to do with their muscles. Ditch diggers dig ditches with a machine now instead of with a shovel. Farmers who used to walk behind a plow or harrow are riding tractors now. The less muscular jobs take less energy, and we eat less of energy foods, such as fat meat.

Second, the percentage of our total population engaged in farming is steadily declining. It was 35 percent in 1910; it is 13½ now. Consumption statistics show that the per capita consumption of *beef* in town is twice as great as the per capita consumption on the farm, but that urban consumers eat only 80 percent as much *pork.* So the more people who move from the farm to the city, the greater is the per capita demand for beef, and the less is the per capita demand for pork.

The third reason why the demand for pork is declining is the increase that has taken place in production.

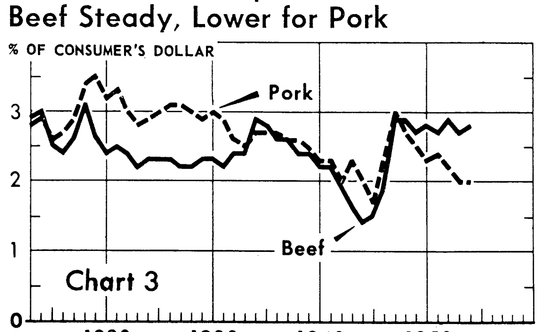
But the increase in production has been more an increase in the production of beef than pork.

Pork production has increased —from 92.4 million head in 1954 to 101 million head in 1955. But that 101 million head was less than the 101.8 million head produced in 1951, and it brought per capita pork consumption up to only 66 pounds—up to less than average, not up to more than average.

The big increase in production that has taken place is the increase in beef and poultry production. Beef production has increased so much that per capita consumption rose from its previous peak of 68.6 pounds in 1947 to 76.7 pounds in 1953, 79.2 pounds in 1954 and 81 pounds in 1955.

In addition, the per capita consumption of poultry and eggs has more than doubled since 1938. These increases in beef, poultry and egg consumption have left less room in the consumer's stomach for pork. And the demand for pork has declined in consequence.

Share of Income Spent for Beef Steady, Lower for Pork



Remedies

The reasons for the decline in the demand for pork suggest the remedies.

The long-time decline in demand can be met by two different remedies, both of which need to be used.

First, we need to produce the lean, meaty pork that consumers want most. This would help counteract part of the decline in demand.

Second, we had better reduce hog production in line with the reduced demand, unless we can produce hogs at a profit at about present price levels. We're evidently up against increased competition from greater supplies of beef and poultry. Part of the increase in beef supplies is cyclic and temporary. But the prospects are that a substantial part of it is permanent.

If we can produce hogs at a profit at present prices, by using all the new developments in feeding technology, breeding, management, etc.—well and good. If not, we need to consider how to reduce the supply of hogs.

Broadly speaking, the supply of hogs is determined a lot by the supplies of concentrate feeds—corn, oats, barley, grain sorghums, etc.—and protein concentrates. These supplies bid fair to remain high. Hog supplies will remain large unless concentrate feed supplies are reduced.

But this is not the only factor. *Total* meat supplies are determined by *total* feed supplies. It won't help hog prices much to reduce the concentrate feed supply if the supply of other feeds is increased.

Many different programs for attaining a reduction in feed supplies are being proposed. All are deserving of careful study. We want to add one idea that follows from the analysis above—an idea that hasn't been stressed in most discussions: Keep your eye on the supply of beef as well as on the supply of pork. A program, for example, that takes land out of feed concentrate production and lets it go into roughage production could reduce the supply of hogs. But the effect on hog prices might be partially offset by the effect of increased supplies of beef.