ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801 *September 8, 1976*

HOG PRICES--HOW LOW?

A BUILDUP IN HOG NUMBERS has been clearly indicated by an increase in slaughter figures and a drop in prices. The high in hog prices was reached the last week in June with a weekly average price at the seven major markets of $50.51 per hundredweight. During the third week in August, the average price was $44.52, a drop of 14 percent. The July pork slaughter was 4-percent greater than last year. The August slaughter has been substantially larger than a year ago, up 20 to 25 percent. Indications are that marketings have been rapid in anticipation of a price break.

An important indication of the future will come on September 22, when the USDA will release the 14-state report "Hogs and Pigs," based on September 1 data. Quite likely, the rapid portion of the buildup in numbers has peaked. Intentions for June through August indicated for a 16-percent increase in farrowings. Actual farrowings may slightly exceed this figure. The big increase was to come in the September-November quarter, which was to be 19 percent. Even though corn prices have moved up and hog prices have weakened, intentions are likely to be near that figure. Farrowings for the winter quarter will probably show a sizable increase in intentions, although less than the 19 percent for the fourth quarter. Last year the estimate in September was for an increase of 6 percent in the winter quarter. Actual farrowings were up 16 percent. So there can be a sizable change between early intentions and actual farrowings. Consistent with the buildup, the actual number of sows farrowing might increase about as much as last year. This would mean an increase of about 13 percent above last year. Watch for this important September 22 report.

PRICE PROSPECTS. Prices will undoubtedly continue these downward trends. The questions are how rapidly and how far. Last year in the October-December period, slaughter averaged 5.6 million per month. The average price during that period at the seven markets was $52.13. One rough guide used by some people for changes in supply is for each 1-percent increase in supply, market prices will drop slightly over 2 percent. Using this simple formula, an increase of 15 percent in supply would mean a drop in price to about $37.50. But increased population and income may add some additional strength. On the other hand in 1974, slaughter averaged about 7 million per month and prices averaged $39. The average monthly prices will certainly move down near $40 per hundred, but may possibly not break under that level until 1977. A further drop in prices during 1977 is certain if the rise in fall farrowings reaches the intended increase of 18 to 19 percent. Prices in the spring are likely to be in the middle 30's, possibly slightly lower.

There are the usual large uncertainties, especially the size of the corn crop and export demands, which may effect feed costs. Feed costs will not stop the general buildup immediately, but may lessen it. A reduction in hog numbers is not likely until 1978. But it does appear certain that by the end of 1976, hog prices will again be below cattle prices.

M.B. Kirtley, Extension Economist, Livestock Marketing

This is the last copy of this letter to be sent free. If you desire to continue to receive it, please return your subscription order form. If you have misplaced the form, please request one from the Agricultural Newsletter Service, 116N Mumford Hall, Urbana, Illinois 61801.

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, $300

FIRST CLASS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL