ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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BUILDUP IN HOG NUMBERS CONTINUES

A STRONG DEMAND FOR HAM during the holidays, a slight reduction in slaughter, and some periods of short receipts due to weather have provided an attractive hog market. Although the favorable demand is encouraging, there will be enough pork in the next few weeks to lower the current prices substantially.

The December 1 hog and pig report indicates that a substantial increase in slaughter will continue. The June to November pig crop was estimated at 42.4 million--an 18-percent increase over last year. The spring crop (December-May, 1976) was estimated at 42.2 million--an increase of 19 percent. Total slaughter for June through November was up 20 percent, varying from no increase in June to 40 percent more hogs being slaughtered in November than a year ago. On that basis, it appears that slaughter in the period December, 1976, through June, 1977 should also be up about 20 percent.

As with the June report, the farrowing reports and the inventory of hogs on December 1 appear to be in some conflict. The inventory of all hogs showed an increase of 11 percent. Breeding stock was up 5 percent, and market hogs 12 percent. Generally, an increase of 19 to 20 percent in market hogs was expected. This would have been about in line with the reported pig crop.

With approximately 20 percent more hogs coming to market this spring, prices may move down to near the levels of last fall--particularly if marketing is heavy in March and April. Prices are not likely to drop under the $30 level, but they may approach it. Then with a reduction in slaughter during June and July, prices should move into the upper thirties.

The December 1 report indicated that producers expected to increase farrowing by 5 percent from December through May. That would be about typical for this stage in the cycle, with more hogs coming to market next fall. Yet, a 5-percent increase is rather modest compared to the sharp increase of the current year. Next fall, supplies of beef will be lower; and with some increase in consumer income, hog prices may not end up as low as they were last fall.

The December price rise has probably slowed down reduction in hog numbers. With current prices of corn and with hogs approaching $40 per hundredweight, all costs in hog production are being covered. Producers probably will continue at their anticipated rate of farrowing, or may increase it slightly.

The slaughter of hogs will exceed 1976 figures during the entire year of 1977. A reduction is likely to occur in early 1978. This will be strongly influenced by the price of grain next summer and fall.

Retail pork prices were down to about $1.19 a pound on the average in December of 1976, compared to $1.48 a year earlier. Not only were the prices of live hogs lower, but marketing margins were also averaging about 52 cents in December, 1976--8 cents less than a year before. Pork consumption in the fourth quarter was up 26 to 28 percent over a year ago. This provides an annual per capita consumption of slightly more than 58 pounds. Next year, per capita supplies will be about 65 pounds, a substantial increase, but only about a "normal" supply.

M. B. Kirtley

M.B. Kirtley, Extension Economist, Livestock Marketing

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