



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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HOG PRODUCTION INCREASE SLOWS DOWN

A BUILDUP IN HOG MARKETINGS WAS EXPECTED LAST FALL, especially during October, November, and December. However, the size of the increase was unexpectedly large. Commercial slaughter in the last quarter of 1976 was up 28 percent over a year earlier. In November alone, the increase was 40 percent. The USDA Hogs and Pigs Reports released in June and September indicated a buildup in hog numbers, but did not detect the size of the increase. In December, major revisions were made in the earlier reports.

Such a rapid buildup in hog marketings sent shock waves through the packing and distributing industries. Farm market prices for hogs dipped to the \$30 level. These events led many market analysts to anticipate another major increase in hog marketings during the first half of 1977. So far, however, that has not been the case.

Following a 18-percent increase in hog slaughter for December, 1976, over a year earlier, the January slaughter was up only 7 percent; February, up 15 percent. So far in March, weekly slaughter is running only 12 to 14 percent over a year ago. The figures so far this year include an increase in sow slaughter that is now running about 40 percent greater than that in the early months of 1976.

Hog prices have responded accordingly. The seven-market average prices for barrows and gilts in January was \$39.52 per hundredweight, down from \$48.40 a year earlier but \$7 higher than the market prices in October and November. In February, market prices averaged in the \$40 range. So far in March, prices have held around the \$38 level or higher.

The Hogs and Pigs Report as of March 1 will be released on March 22. That report will give us an update on current hog inventories expected farrowings and marketings for the remainder of 1977. The December 1 report last year appears to have been quite accurate in estimating the number of market hogs on farms at that date. Marketings since December 1 have been up about 15 percent and are consistent with the numbers inventoried on December 1, allowing for the increase in sow slaughter so far this year. However, hog marketings since December 1 have been considerably below the projections made by several market analysts.

Various reasons are offered for the reduced hog slaughter. One is that the cold weather delayed hog marketings. A more likely explanation is that the bitter cold of January was reflected in the lower average market weights of hogs, which were 7 to 10 pounds lower than in 1976. A second and more plausible explanation is that the anticipated buildup of hogs during the expansion phase of the hog cycle came with increased farrowings last spring and summer, causing the big bulge in marketings last fall. The soon-to-be-released Hogs and Pigs Report will give us definite clues on this question. We believe the report will show that although hog production is still expanding, the rate of increase has slowed to very modest levels and should be friendly to hog prices during the remainder of 1977.

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