



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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HOG MARKETINGS WILL INCREASE IN 1978

THE NATION'S HOG PRODUCERS plan only a moderate increase in pork production in 1978. This was the news in the USDA's December Hogs and Pigs Report.

Extremely low prices for feed grains from July through October last year coupled with hog prices around \$40 per hundredweight led many analysts to expect a major buildup of pork supplies during 1978. A rapid increase in cash corn prices in November apparently discouraged some would-be hog producers. Nonetheless, 1978 pork supplies will be up from 1977 levels.

The market hog inventory in the December report shows little increase over last year's level. For the next four or five months, pork supplies will be only 4 to 6 percent above year-earlier levels. With the smaller beef production now forecast for this period, barrow and gilt prices could hover around \$40 until April or May.

Normally, the summer is a period marked by a seasonal slowdown in hog marketings and by some seasonal price strength. During the past five years, barrow and gilt prices in the June-August period have averaged about \$6.25 per hundredweight higher than during the preceeding March-May period. This pattern is due to an average reduction of 6 percent in summer hog slaughter, compared to that for March-May.

If producers carry out the December, 1977, through February, 1978, farrowing intentions revealed in the December USDA report, hog prices will do well to hold their own next summer. For the 14 states reporting quarterly farrowing intentions, pork producers plan to farrow 2.6 million sows during December-February. That is 4 percent less than the number actually farrowed the preceeding three months, but the seasonal increase in sow slaughter which occurs from June through August is likely to result in a small increase in summer pork supplies, compared to the winter and spring months of 1978.

Pork supplies next fall might be up 7 or 8 percent over the corresponding period in 1977, according to this report. Pork producers intend to farrow 3.1 million sows in the March-May period, compared to 2.9 million in 1977. Although this a fairly moderate increase, it probably will result in barrow and gilt prices of around \$35 by next fall.

With the costs of production for pork now running at about \$35 per hundred-weight for a farrow-to-finish operation, the current price outlook is favorable for continued expansion in pork supplies well into 1979. In the past, it has taken at least 6 months of losses to convince pork producers that they should reduce production. Unless feed prices increase markedly in 1978, which seems unlikely, it is hard to see a period of sustained financial losses in the hog industry until late 1978, at the earliest.

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