



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

May 31, 1978

HOGS AND PIGS REPORT TO BE RELEASED JUNE 22

THE NEXT HOGS AND PIGS REPORT, to be released June 22, covers 48 states and will count the hogs on farms June 1. It will also indicate farrowing intentions for the June-August and September-November quarters. In addition, there likely will be revisions in the year-ago figures on the size of the pig crop and inventory numbers to bring the data in line with the actual slaughter of market hogs last fall and winter.

These regular revisions, usually not of any great magnitude, are needed to revise earlier sampling errors and keep the year-ago data in the quarterly reports in perspective. Thus, the June 1, 1978 inventories of hogs on farms will be compared with the *revised* year-ago figures. This means we need to look at the magnitude of the revision, if any, and the current inventory number to show the direction of change in hog production.

Since the March 1, 1978 report was released, federally inspected hog slaughter from March 1, 1978 through May 20 has totaled 1.8 percent *below* a year ago. The 14-state March 1 inventory of hogs over 60 pounds was 1.4 percent above the inventory number a year ago. Not all of the pigs under 60 pounds in the March 1 report are marketed yet, but it appears that the actual inventory on March 1 was slightly lower than the estimates showed. The reduction in hog slaughter is probably not caused by farmers holding back hogs for higher prices. Average market weights are running below those of a year ago, suggesting that marketings are current.

Another possibility is that hog producers may be holding back gilts to build up the breeding herd inventory. Profits per 100 pounds produced have ranged from \$9 to \$12 since March 1, 1978. In past years, profit margins in this range usually resulted in breeding herd expansion, followed 9 to 12 months later by expanded marketings of slaughter hogs.

PRICE PROSPECTS FOR HOGS. Strong consumer demand, reduced beef supplies, and choice slaughter steer prices reaching up to \$60 at terminal markets have helped hold the 7-market average hog price in the \$46 to \$49 range since March 1. Unless the June 1 report shows a sizable expansion in inventory numbers of hogs under 120 pounds, which seems unlikely from our perspective, hog producers should have a strong hog market through the summer and fall months. We expect the 7-market average

price to move above \$50, and approach or reach the \$55 level for a few weeks during the June-July period. A seasonal increase in hogs marketed will probably shift prices back to the \$48 to \$50 range in the early fall months.

Uncertainty about the effect of wet spring weather on the size of the 1978 corn crop and on resulting feed prices next fall, plus the sharp price increase for building materials used for new hog buildings, will likely hold any planned expansion in hog marketings to less than a 5-percent increase over 1977 in the October-December, 1978 quarter.

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