



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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JUNE 1 HOGS AND PIGS REPORT CONTAINS SURPRISES!

ALL HOGS ON FARMS JUNE 1, 1978, are only 1 percent above 1977 numbers, with both the breeding herd and market hogs showing the same 1-percent increase. The surprise to most market watchers was that producers expanded their breeding herds only 1 percent above year-ago levels, even though hogs have been profitable since last fall.

In past years, the typical supply adjuster in the hog industry is a period of profits and *expectations* of future profits from raising hogs. That is, producers have usually expanded production following a period of profits or, conversely, reduced production following a period of losses. The collective actions of all hog producers could be explained as their reactions to profit or loss signals coming from market price less cost of production for hogs.

This usual response was not reflected by inventory numbers in the June 1 report, released on June 22. Neither did the March 1 report, released three months ago, show the expected expansion. We expect that computers may be worked overtime and Ouija boards dusted off as market analysts try to identify new factors, if any, that might have influenced hog producers to decide not to expand.

MARKET PRICES. Just before the June 22 release date of the recent USDA survey, both cash and futures prices for hogs tumbled. Cash markets are down nearly \$5 and futures contracts have tumbled as much as \$10 from their highs in late May. We expect cash prices to remain near their current level, since inventory numbers of hogs over 180 pounds were up 8 percent in the recent report. Numbers of hogs weighing from 120 to 179 pounds were up 4 percent from a year ago.

The inventory of hogs under 60 pounds, those that will come to market after Labor Day, was reported as *down* 4 percent, lending new support to cash markets in the fall months.

Prices quoted on a 7-market basis should stabilize in the \$46 to \$50 range during July and August. During the fall months prices will likely hold to the \$44 to \$48 range. Fewer pounds of beef, especially hamburger, will be available to consumers and should help support hog prices.

The big uncertainty is consumer demand, which recently demonstrated that there is an upper limit on the amount of beef and pork consumers will buy at the current retail prices at supermarket meat counters. Any further slowing of consumer demand could adversely affect livestock prices during the rest of 1978. On the plus side, it appears that fewer hogs will be marketed this fall. And the supply of pork will be down slightly, which will help support hog prices in the fall and winter quarters of 1978.

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