ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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HOG MARKET HEADED FOR A 1971-TYPE CATASTROPHE

THE LATEST HOGS AND PIGS REPORT indicated an increase of 20 to 25 percent in the hogs coming to market next fall. If that happens, the increase will be the largest one year to year on record. It will put severe downward pressure on hog prices and will prevent cattle prices from being as high as they would have been with a moderate increase in pork production.

The sows farrowing in the 14 states from December through February totaled 2,659,000--up 16.4 percent from a year ago. On December 1, producers said they intended to increase the number of sows farrowing by 12.2 percent. The December-February pig crop was estimated at 18,260,000--up 16.9 percent from last year. These are the hogs that will be coming to market during from June through August.

As of December 1, producers indicated an increase in the March-May farrowings of 16 percent--a record increase in the intentions report. On March 1, the intended increase was pegged at 23.8 percent. If the number of pigs saved per litter equals the average for the past ten years, the pig crop will be up 24.9 percent and the September-November slaughter will increase by a like proportion.

Producers made their first statement of intentions for June-August farrowings on March 1, indicating a rise of 21.8 percent. If that materializes, if the pigs saved per litter are at the ten-year average, and if the ratio of pigs saved to hogs slaughtered six months later is typical, the hog slaughter next December-February will be up about 22.8 percent.

Based on farrowing intentions, commercial hog slaughter next September-February is likely to be up 21.2 percent. From September, 1970, through February, 1971, hog slaughter increased by 16.2 percent--a smaller increase than indicated for late 1979 and a smaller total number than indicated. The price declined below $15 per hundredweight and averaged $17.55 for the six-month period. Adjusted for inflation, a comparable price in late 1979 would be $31.80.

The shorter-term outlook for hog prices is less pessimistic. Market hogs weighing over 60 pounds are up only 10 to 11 percent from the low levels of a year ago. Coupled with the sharply reduced supplies of beef during the next six months, the moderate increase in pork supplies should not put great pressure on hog prices. It would not be surprising to see prices in the high forties to low fifties through the early summer months.

The price prospects for the period beginning in late August are both pessimistic and clouded. If the huge increase materializes and the price of hogs is affected by supply, as it has been in the past, hog prices will drop into the $30 range and probably into the low thirties. There are other possibilities. One is that the increase will not occur. No increase has been more than 16 percent during the past ten years. One purpose of surveys is to tell producers what other producers are planning so that adjustments can be made. The signals have been sent to producers, and we may see a reduction compared to intentions when the actual farrowings for March-May are reported on June 21.

Beef supplies will continue to decline as the year progresses. High cattle prices will lend strength to hogs. In the past, however, consumers have not moved readily from beef to pork when supply ratios have changed. In 1971, the price of choice steers at Omaha averaged 1.76 times the price of barrows and gilts at the seven principal markets. Hog prices can decline to low levels in the face of strong cattle prices.

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