



# WEEKLY OUTLOOK

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## HOG PRODUCERS HAVE NOT CUT PRODUCTION TO PROFITABLE LEVELS

AFTER INDICATING ON SEPTEMBER 1 THAT PRODUCTION WOULD BE CUT BACK to profitable levels, hog producers reversed themselves. On September 1 they indicated intentions of reducing September-November farrowings by 9.1 percent from the year before, but the actual number of sows farrowed was down only 2.9 percent. According to the intentions as of September 1, the number of sows farrowing during December-February was to be down by 6.6 percent; but as of December 1, the intended reduction was only 6 percent. The first intentions for March-May show a decrease of 6.3 percent from the same period in 1980 and a decline of 8.9 percent compared to 1979. But if 3,177,000 sows do farrow in the 14 principal producing states, that would be 10.9 percent more than the figure for the spring of 1978.

The very large pig crops in the spring of 1979 and 1980 resulted in prices below breakeven levels from mid-1979 through 1980. Last September, producers appeared to be in the process of cutting production back by about 10 percent following the increase of 20 percent in 1979 and 1980. The cut had a strong possibility of restoring the industry to a profitable basis in spite of rising feed costs. The supply shortages and relatively high prices for corn and soybean meal following the short 1980 crops appear to have made little impression on hog producers.

The total number of hogs in the United States on December 1 was 64.5 million, down 4.2 percent from the year before. The figure on those kept for market was 55.4 million, down 4 percent from the previous year. The number of market hogs and pigs weighing 60 pounds and over, which will supply a large proportion of the slaughter during the next 2 months, was 33.2 million—down 4.8 percent from 1979. The September 1 survey indicated a much larger decrease.

The number of pigs under 60 pounds on December 1 was 22.2 million, down only 2.9 percent. The September report projected a decrease of nearly 7 percent. The number of hogs that will be ready for market during the March-May quarter will be down only 7 percent from last year, when large numbers of hogs pushed the price below \$30 per hundredweight.

There is a discrepancy between the number of sows farrowing during June-August and the number of market hogs weighing 60 pounds and over on December 1. So the



market supply is highly uncertain for the next 60 days. The number of sows farrowing during June-August was down 9.7 percent from the year before. Pigs from these sows should come to market during the December-February period. But the number of hogs 60 pounds and over on December 1 was down only 4.8 percent. Either the June-August pig crop was underestimated or the December 1 inventory was overestimated.

Although there was a widespread expectation that hog prices would be going up through next summer, the December report on Hogs and Pigs from the USDA eliminated the basis for those expectations. The number of hogs coming to market during the next 60 days will decline from the current high levels, so that a moderate price recovery is probable. However, that influence will be offset partly by large inventories of pork products that have accumulated in anticipation of sharply reduced slaughter. An increase to \$50 now looks doubtful, and \$55 for summer is questionable.

If hog producers do farrow as many sows in the March-May period as they now expect, prices may be no higher next fall than they are now. Unless corn and soybean production this year is very high and prices fall sharply, hog production will remain unprofitable through next fall.

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