



WEEKLY OUTLOOK

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HOG PRICES TO STAY HIGH THROUGH NEXT AUGUST

THE TEN-STATE HOGS AND PIGS REPORT released on September 22, 1982, indicates that supplies of pork will remain relatively small through next August. The continued short supplies will probably be accompanied by high hog prices and unusually favorable feeding ratios. Such a situation--high hog prices and cheap feed--has never lasted long in the past and probably will not in the future. Hog producers should look ahead and plan for the time when it will end.

At 41.6 million head, the inventory of all hogs and pigs was down 12 percent from a year ago. Hogs kept for breeding decreased 13 percent and the number of hogs kept for market declined by 12 percent. The number of market hogs was relatively larger in the heavier weight brackets. Those over 180 pounds decreased by 10 percent, while those under 120 pounds were down 12 percent. The market hog inventory indicates that pork supplies will remain substantially below year-ago levels through next March.

The June-August pig crop was down 11 percent from that of last year. On June 1, hog producers indicated intentions to farrow 9.1 percent fewer sows during June-August than they had the year before. They actually farrowed 11.1 percent fewer. On June 1, they indicated intentions to farrow 9.0 percent fewer sows during September-November than in 1981. On September 1, they intended to farrow 10.5 percent fewer. Thus they actually reduced production plans slightly between June 1 and September 1.

Farrowing intentions for December-February were the most surprising part of the report. At 1.904 million sows, intentions were down 4 percent from the low level of last year. At 1.977 million sows, farrowing during December-February, 1981-82, was down 18.5 percent from the year before, and was the smallest since 1975-76. Intentions do change and the actual number farrowed could be larger, but the numbers are not likely to be so much larger that pork supplies will appreciably increase next summer. Hog producers have shown no response to the combination of high hog prices and cheap and abundant corn. At the current

level, hog production is relatively small. Sows farrowing in 1982 will be about 7.1 percent below the average of 1977 and 1978, which were prosperous years for hog producers.

The test of producer behavior will come with the pig crop in the spring of 1983, particularly during the March-May period. With overhead costs at \$21 per hundredweight of hogs produced and soybean meal at \$160 per ton, a bushel of corn is worth about \$5 when fed to a \$60 hog. Hog production in 1978 was unusually profitable but not as profitable as it is today. The pig crop in spring, 1979, was 22 percent larger than the crop in spring, 1978. This huge increase in 1979 started the long period of losses for hog producers.

What are the price implications? Looked at from the supply side only, hog prices can be expected to be in the range of \$65 to \$70 through next summer. However, bacon at over \$2 per pound and comparably high prices for other pork cuts will meet with consumer resistance. Wholesale beef prices have dropped well below \$1 per pound and broilers are about 45 cents, wholesale. Consumers have alternatives, so hog prices above \$65 may prove to be temporary.

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