

WEEKLY OUTLOOK

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HOG PRICES TO REMAIN PROFITABLE IN 1983

THE HOGS AND PIGS REPORT, RELEASED BY THE USDA on December 22, shows that there are about 9 percent fewer hogs and pigs on U.S. farms than there were a year ago. The number of sows farrowing in the quarter just ended and those indicated through next May suggest that hog supplies in 1983 will remain near 1982 levels. As a result, hog prices through most of 1983 should remain highly profitable.

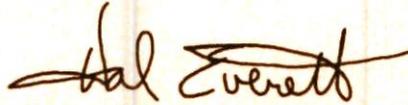
The report indicates that there are about 41.9 million hogs and pigs on farms, the lowest inventory level for the ten key producing states since at least 1973. Hogs kept for breeding and for market have also been reduced--by 7 percent and 9 percent, respectively--from year-ago levels to 5.6 million and 36.3 million head. These figures clearly suggest that pork supplies will continue to be limited for consumers in at least the first half of 1983 and that actual expansion is not yet under way.

Some changes, however, do seem to be occurring in the rate of hog production, as indicated by the shifting weight groups of hogs and pigs and by the number of sows expected to be farrowed. A reduction from 5 to 15 percent in the number of hogs in each weight group confirms that hog supplies will be limited early in the year. However, the largest reduction (15 percent) is in the group of hogs weighing 180 pounds and over, whereas the smallest reduction (5 percent) is in the group of hogs weighing less than 60 pounds. In addition, the estimated pig crop for the period from September to November is only 2 percent lower than it was a year ago. When taken together, these figures suggest that the hog cycle may be approaching a bottom and that production may level out no later than midyear.

Additional support for this thinking is provided by the observation that farmers may have underestimated their farrowings in recent quarters. For example, before the September-to-November quarter, farmers had indicated that they would farrow 2.2 million sows or less during those three months. In the new Hogs and Pigs report, actual farrowings for that same period approached 2.36 million head. For the period from December to February, farmers had earlier indicated they would farrow

4 percent fewer sows than they did a year ago, whereas on December 1 their intentions were to farrow only 1 percent less. It is expected, therefore, that farrowings during December through May will equal or slightly exceed farrowings of a year ago for the same period, despite farmers' intentions to reduce them by 1 to 2 percent. As a result, pork supplies in the last half of 1983 should closely match those of 1982.

The prospect of limited hog supplies in 1983 means that farmers will continue to receive the same relatively high prices for their hogs that they have been receiving since early 1982. That is, hog prices may again exceed \$60 per hundredweight at some point during 1983 but are likely to average well below that throughout most of the year. In addition, prices will probably decrease through the year, especially in the last half. Those factors likely to dampen prices in the coming year are a continuing expansion of poultry production and the expectation of expanded hog production toward the end of 1983 and, certainly, in 1984. Hedging of production that is due late in the year should seriously be considered and should be done near the apparent market highs.



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