



# WEEKLY OUTLOOK

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## HOG EXPANSION UNDERWAY

AN EXPANSION IN HOG NUMBERS ALREADY APPEARS UNDERWAY, according to the USDA Hogs and Pigs Report just released for 10 key states. As of March 1, when the survey of hog producers was taken, the number of hogs on farms totaled 41.6 million, or about 3 percent more than a year ago. Farmers also indicated that they would keep about 6 percent more hogs than a year ago for breeding purposes, so the inventory of hogs is likely to continue to build throughout the rest of 1983. The number of hogs kept for market has increased by only about 2 percent from a year ago, reflecting limited farrowings last fall and the retention of gilts for breeding stock.

In the next 2 to 3 months, hog slaughter and pork production may actually fall from year-ago levels. The number of market hogs weighing above 120 pounds is down about 2 to 3 percent from a year ago. As we enter June and July, however, hog slaughter may show a gradual increase relative to a year ago based on a 2 percent increase in market hogs in the 60-to-119-pound category. A 7 percent increase in the number of hogs under 60 pounds kept for market clearly implies that mid summer slaughter of hogs should be up noticeably over last year. Because unseasonably warm weather in January and February led to an unusually low pig death loss during that time, the increase in slaughter may become even more pronounced by late July or early August. During the December through February quarter, the number of pigs saved per sow farrowing increased by 5 percent over a year ago.

The increase in the inventory of hogs and pigs on March 1 is clearly a result of the 5 percent increase in sows farrowing during the December to February period. Given that farmers intend to increase farrowings in the March to May period by 8 percent more than a year ago and in the June to August period by 7 percent more than a year ago, this expansion is likely to continue. These increases imply that hog slaughter will continue to expand from the end of the summer through at least the beginning of 1984. It should be noted that this increase in slaughter remains well below the level of 1981.

The question now becomes: Will the expansion, as indicated by intended farrowings, continue through the June to August period? The decision to continue farrowing increases is becoming particularly difficult because of the changing relationship between hog and feed prices. Hog producers' profits, and their expectations for future profits, have soured in the last several months as hog prices have declined at times to under \$50 per hundredweight and cash corn prices have risen to over \$2.80. If the PIK program pushes the price of corn to over \$3.00, then the expansion may very well falter. On the other hand, if the PIK program is only marginally effective in reducing corn supplies at the beginning of the 1983-84 marketing year, then the expansion may proceed at a more rapid pace, assuming that hog prices recover to the mid-\$50 area for the next 6 months. The latter will depend on improved consumer demand for red meat, particularly pork.

After an initial bearish reaction to this report, hog prices should rise to the mid-\$50 area for at least the late spring and summer months, given the improving economy. However, as pork supplies increase in the late summer and fall, hog prices could fall back to the \$50 level and possibly below that by the end of 1983. As a result, producers should be looking for opportunities to hedge late 1983 and 1984 production at above breakeven prices.



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