



WEEKLY OUTLOOK

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DECREASING PORK SUPPLIES PROBABLY MEAN HIGH HOG PRICES

THE MARCH 10 STATE HOGS AND PIGS REPORT indicated an even greater reduction in hog and pork production than was shown in the December survey. If the reductions materialize, we should expect rising and strong hog prices through the first quarter of 1984.

The inventory of all hogs and pigs in the 10 major producing states was 39.5 million, down 5 percent from a year ago. The number kept for market was 34.2 million, also down 5 percent. At 5.4 million, the number kept for breeding was down 10 percent. The distribution of market hogs among weight brackets indicates continually decreasing market supplies relative to a year ago. The number of hogs weighing 180 pounds and over was up 6 percent from last year. These hogs should have been slaughtered by now. The number in the 120-to-179 pound bracket was up one percent. Those in the 60-to-119 pound category were down 5 percent, and the number under 60 pounds was down 12 percent.

There were 1,864,000 sows farrowed in the December-February quarter, a decrease of 11 percent from a year ago and 8 percent from intentions as expressed on December 1. This decrease indicates a major reduction in pork supply during the July-September quarter. Producers intend to farrow 2,475,000 sows during the March-May quarter, a decrease of 11 percent from last year and a decrease of 2.4 percent from their intentions as expressed last December. We should expect sharply lower pork production next fall. Intentions to farrow in the June-August period are 13 percent below last summer's intentions. This projects a small pork supply through next January-March.

Our studies indicate that the number of sows farrowing in a given quarter is related to hog profitability three calendar quarters earlier. The reductions indicated in this report are quite consistent with the lagged profitability studies. The high feed costs and low hog prices of 1983 are resulting in major cuts in production. The high feed costs may persist into next summer but if the weather this season is normal, the reduced number of hogs will be fed some relatively cheap corn and soybean meal next fall and winter. Hog producers may adjust their farrowing intentions if crops go in the ground on time this spring.

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Using inventories and farrowing intentions to project pork supplies, we find that production levels will be just about equal to those of 1982. We project 3,537,000 pounds for the April-June quarter as compared with 3,550,000 in the same period of 1982, project 3,116,000 during the July-September quarter as compared with 3,239,000, and 3,723,000 during the October-December quarter as compared with 3,639,000. The average price during the April-June 1982 quarter was \$56.18, during July-September it was \$61.40, and during October-December it was \$54.97. The general price level in 1984 will be up about 9 percent from 1982. This should push hog prices above 1982 levels.

Consumer demand for meat has been weak for the past three years. Consumers may back away from high pork prices next summer. Hog production may exceed farrowing intentions. The prices of hog futures for deferred months--October, December, February--may go to quite profitable levels. The combination of these three things suggests that the market should be watched closely for forward selling opportunities.

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