



# WEEKLY OUTLOOK

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## HOG PRICES STILL EXPECTED TO MOVE HIGHER

AFTER THE USDA'S MARCH HOGS AND PIGS REPORT, predictions were made of sharply higher hog prices for the remainder of 1984. These predictions were based on expectations of significant declines in pork production, modest declines in beef production, and only marginal increases in poultry production, as compared with 1983.

For the second quarter of 1984, we forecast pork production to be down about 3.4 percent from 1983 and only 1.4 percent higher than during the second quarter of 1982. The combined production of pork, beef, broilers, and turkeys during the second quarter of 1984 was forecast to be down about 1 percent from 1983 and up nearly 3 percent from 1982. Hog prices averaged over \$46 per hundredweight in the second quarter of 1983 and over \$56 in the second quarter of 1982. Prices in the mid-\$50 range were expected for the second quarter of 1984.

For the third quarter of 1984, the March 1 hog inventory figures suggest that pork production will be down about 14 percent from the third quarter of 1983 and down nearly 4 percent from the third quarter of 1982. Production of all meat is expected to be down 4 percent from 1983 and up less than 1 percent from 1982. Hog prices averaged over \$61 per hundredweight during the third quarter of 1982.

For the first two months of the second quarter of 1984, hog prices (barrows and gilts at Omaha) averaged about \$48 per hundredweight. That price is only \$0.50 per hundredweight above the price for the same two months last year, and about \$7 per hundredweight below the same period in 1982. Futures prices for the third quarter have traded above \$60, but only for very brief periods.

Why have prices been so sluggish? Part of the answer may be on the supply side. While beef and poultry production have been near the expected levels, pork production has been slightly higher than expected. Commercial pork production during April was down only 2.3 percent from last April.

Part of the explanation for lower-than-expected hog prices may be on the demand side. For example, our calculated wholesale price of pork during the first four months of 1984 is down about 13 percent from the same period last year, while pork production has been only 4 percent higher. The price has been 10 percent

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lower than 2 years ago, when pork production was essentially the same as this year. The total value of pork production has declined sharply. On the other hand, the total value of beef production so far in 1984 has been above the levels of 1982 and 1983.

What about the rest of 1984? Weekly figures in May indicate that pork production levels are beginning to come down. Production has been about 3.5 percent less than a year ago and is coming in line with the levels of 1982, as it should based on the March inventory report. If this pattern continues, pork production will decline to very low levels over the next three months, just as it did in 1982. Prices will strengthen as supplies decline.

The most uncertainty centers around consumer response to the lower supplies of pork. In 1982, consumers pursued the lower supplies very aggressively, pushing cash prices above \$65. Our calculated wholesale price of pork in August of 1982 was nearly 40 percent higher than during April of 1984. There is the potential, then, for significantly higher hog prices. How high depends on consumer response.

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