



# WEEKLY OUTLOOK

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July 4, 1984

## HOGS IN SHORT SUPPLY BUT ABOVE EXPECTATIONS

THE JUNE 1 HOGS AND PIGS INVENTORY SURVEY WAS RELEASED ON JUNE 21 and confirmed the expectation of reduced supplies during the year ahead. However, both the inventory of hogs for market during the months immediately ahead and farrowing intentions indicated smaller reductions than the March 1 report and larger production than the market had expected. The result was a sharp decrease in futures prices, particularly in the more distant delivery months. In the meantime, current market supplies have decreased, and the prices of cash hogs have increased.

The inventory of all hogs and pigs in the U.S. was 52 million, down by 9 percent from June 1, 1983. Both the number kept for breeding and for market were down by 9 percent. Pigs kept for market that weighed less than 60 pounds were down by 13 percent from last year. This was consistent with the indicated decrease of 12 percent in the number of sows farrowing during the March-May quarter. The number of hogs 60 pounds and over was down by 6.6 percent. This is not quite consistent with the indicated decrease of 9 percent in sows farrowing during December-February and the 10 percent decrease in the December-February pig crop.

The number of hogs slaughtered during the April-June quarter has been larger than was expected on the basis of the March 1 inventory report, suggesting that farrowings may have been underestimated. Whether this tendency for slaughter to exceed expectations will carryover into the July-September quarter is an important question. The December-February pig crop indicated a July-September slaughter of 14 percent below last summer's slaughter. However, the new inventory numbers for hogs in the 120-179 pound bracket indicates a decrease of only 9 percent. If the inventory of heavier hogs is correct, we should expect pork production in July-September to be less than 2 percent above the summer of 1982, when hog prices got to the mid-\$60s and averaged \$61.40 for the quarter. Both beef and broiler supplies will be a little above 1982, dampening hog prices somewhat. However, the economy is strong, unemployment is down, consumer incomes are up, and the general price level is up about 9 percent. How high hog prices go this summer will depend on what consumers elect to do with their larger incomes.

Looking farther ahead, the March-May pig crop was down 12 percent from last year and up 4 percent from 1982. The slaughter in the fall of 1982 was unusually

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large in relation to the preceeding pig crop, so that we expect production of pork to be up only 2 percent from 1982. Supplies of beef this fall should be down from 1982 and broiler production only slightly higher, so that total meat production will be just about equal to 1982's production. Hog prices averaged \$54.97 at Omaha during the October-December 1982 quarter. The high weekly average during the quarter was \$58.33 during the first week of October and the low weekly average was \$53.02 during the second week of November.

During the next six months, meat supplies will be sharply below last year's supply (about equal to 1982), and consumer incomes are substantially above the income of the last two years. However, consumer demand for meat is continuing to decrease. On balance, a price in the mid-\$50s during the fall quarter seems a conservative expectation.

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