



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

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THE LONG-TERM FUTURE OF THE PORK INDUSTRY IS IN DOUBT

THE PRICE OF HOGS IN 1984 WAS NOT AS HIGH AS MANY ANALYSTS ANTICIPATED AT the beginning of the year, nor as high as might have been expected as the result of the relatively good job of supply management that the pork industry did. Following losses in 1983, production in 1984 was cut back about 2 percent, but the average price increased less than 2 percent, which was actually a decrease when adjusted for inflation. Pork has been losing market share to other meats, broilers in particular, for many years but preliminary data indicate that the loss was alarmingly large in 1984.

The pork industry has been stable to declining for many years. Per capita consumption averaged 65 pounds during the decade of the 1960s and slightly below 60 pounds during the 1970s. During the past five years production has decreased from 67 pounds per capita in 1980 to 59 pounds in 1984. Much of the loss of market has been to poultry. Per capita poultry consumption increased from 26 pounds in 1960 to 42 pounds in 1970, to 59 pounds in 1980, and to 66 pounds in 1984.

For many years the increase in poultry consumption was accomplished with price concessions. Rapid improvements in the technology of broiler and turkey production reduced costs and encouraged the expansion of production at decreasing real prices. During 1960 through 1979 the ratio of retail broiler prices to retail pork prices decreased in a fairly straight line trend at an annual rate of about 2.4 percent per year. The ratio of broiler consumption to pork consumption also increased in a comparable trend of about 2.8 percent per year. In broad outline, consumers shifted from pork to poultry on a one-to-one basis.

From 1979 to 1983 total pork production was about unchanged: 14.2 billion pounds in 1979 and 14.0 billion in 1983. The retail pork price increased from \$1.44 to \$1.70 per pound, or 18 percent. The general price level increased 32 percent during the same period, so that in real terms pork prices declined. From 1979 to 1983 broiler production increased from 10.9 billion pounds to 12.4 billion, or 14 percent. The retail broiler price increased from 67.7 cents in 1979 to 72.8 cents in 1983, or 7.5 percent. In terms of inflation adjusted prices, pork decreased 10.4 percent and broilers 18.5 percent. The broiler price decreased

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from 47.0 percent of the pork price in 1979 to 42.9 percent in 1983. Broiler production increased from 76.9 percent of pork production to 88.4 percent in 1983. A decrease of 9 percent in relative price generated a 15 percent increase in relative consumption. There was an inverse relationship between relative production and relative price in individual years as well as for the period as a whole.

The long-standing price substitution pattern changed in 1984. Pork production went down 2.1 percent and broiler production increased 4.6 percent, so that broiler production increased from 88.4 percent to 95.4 percent of pork production. The retail pork price decreased about 4 percent and the retail broiler price increased about 12 percent. Both the market share and the price ratio of broilers increased. There was a sharp shift in consumer preference from pork to broilers. One swallow does not make a spring. We do not know if the shift will persist in 1985 and beyond. If it does, it bodes ill for the pork industry.

Written by *T.A. Hieronymus*, Professor Emeritus, Agricultural Economics

Darrel Good

Issued by *Darrel Good*, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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