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University of Illinois at Urbana-Champaign

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Department of Agricultural Economics
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HOGS AND PIGS REPORT SHOWS STABLE TO DECREASING PRODUCTION

THE SEPTEMBER 23 HOGS AND PIGS REPORT notes some further reduction in the size of the pork industry and of pork production for the next nine months but some stabilization of farrowing intentions for the 1986 spring pig crop.

The report showed 41.8 million head of hogs in the ten principal producing states, down 3.1 percent from a year ago and down 9.1 percent from September 1, 1983. The number kept for market was 36.4 million, also down 3.1 percent from a year ago. The number of market hogs weighing 60 to 179 pounds totaled 16.2 million. Based on the size of the March-May pig crop reported three months ago, this was a smaller number than expected. If the average ratio of slaughter to the 60 to 179 pound inventory holds, the October-December commercial slaughter will be 21.2 million head, down 6.6 percent from last year. Last October hog prices at Omaha averaged $47.57.

On the basis of this inventory of market hogs, we should see hog prices sharply higher this fall than they have been during August and September, but there are several offsetting considerations. First, there may be a statistical error of estimate in the inventory. The March-May pig crop estimate that was released in June indicated a fall slaughter of 21.9 million, down 3.5 percent from a year ago. Both indicators cannot be correct. At the most the slaughter for this fall should equal or be slightly below that of last year. Second, both broiler and turkey production will exceed levels from a year ago by 5 to 6 percent, so the decrease in pork production will almost be offset by increased poultry production. Third, beef production during the fall quarter is uncertain. During the third week of September the dressed weight per animal slaughtered was 666 pounds compared with 624 pounds--the fall quarter average last year. Cattle on feed continue to be held to excessive weights. This overfeeding of cattle has put pressure not only on cattle prices but also on hog prices. If cattle feeders become current in their marketings, hog prices can move into a $45 to $50 range for the fall quarter.

The June-August pig crop was estimated at 16.9 million, down 1.3 percent from the summer of 1985. These hogs will come to market during the January-March quarter. Last January-March hog prices averaged $47.31. Poultry production will probably be up, but beef production should be down.

Intentions to farrow during the September-November quarter were 2,268 thousand sows--a decrease of 2.1 percent from 1984 but up 1.5 percent from the intentions expressed on June 1. The first expression of intentions to farrow during the December-February quarter were almost exactly equal to actual farrowings during the same period last year. The pattern of intentions indicate expansion in hog production and a pork supply through next summer about equal to the pork supply for the first nine months of 1985. The huge supply of feed grains and soybeans suggests greater expansion in pork production.

In 1986 we should see further increases in poultry production but a significant decrease in the output of beef. These two may offset each other, leaving the total meat supply relatively unchanged. Increases in poultry supplies, the huge overhanging feed supplies, and slack consumer demand for meat do not make the outlook for hog prices optimistic. It would seem prudent to forward price hogs whenever break-even to profitable prices are offered.

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