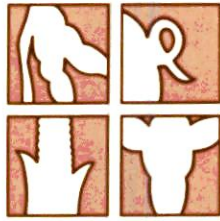




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

March 26, 1986

## HOG AND PIG REPORT FAVORS LATER '86 PRICES

RECENT PRICES FOR LIVE HOGS have been lower than expected because both slaughter numbers and slaughter weights have been high for hogs and cattle. The USDA *Hog and Pig* report released March 21 shows that the breeding herd and intentions to farrow are down and that recent farrowings did not exceed intentions. Live hog prices should remain between \$40 and \$43 per hundredweight during the coming second quarter and recover around \$45 per hundredweight during the second half of 1986.

The *Hog and Pig* report shows a ten-state inventory of 38.6 million hogs on March 1, 1986, a figure that is down 3 percent from last year. The breeding herd of 5.0 million hogs was down 4 percent. The market hog total of 33.6 million head was down 2 percent from last year. Light hogs weighing under 60 pounds were at the same level as last year, whereas hogs weighing 60 to 180 pounds were down 4 percent.

The decline in the breeding herd in part represents the adjustment to higher productivity. The number of pigs saved per litter continues to increase rapidly as the industry becomes concentrated in larger confinement operations. In the December 1985 through February 1986 quarter, 1.94 million sows farrowed, producing 14.88 million pigs. The 7.67 pigs saved per litter is a 2 percent increase over last year; therefore, although farrowings were down 1 percent, the pig crop was up 1 percent over last year. The decline in the breeding herd of 4 percent indicates only about a 2 percent decline in production capacity.

Producers stated that they intend to farrow 2.32 million sows in the March-May quarter of this year, which would be 4 percent less than farrowings in the same quarter of 1985. These intentions are down from intentions first stated in the December 1985 report. Market analysts did not expect this reduction. Even with greater breeding productivity, pork production in the last quarter of 1986 will drop substantially below that of 1985 if these intentions are realized. The first statement of intentions to farrow for the June-August quarter of this year is 2.18 million sows, a figure that is just about equal to farrowings in the same quarter of last year.

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Live hogs at Omaha averaged \$46 per hundredweight in January, \$43 in February, and around \$41 in March. The average price for the quarter will be about \$43 per hundredweight, which is \$3 lower than our January estimate. Projected pork production for the current January-March quarter is 3.72 million pounds, which is 3 percent above our January estimate. Average dressed weight for the quarter will be about 176 pounds per hog, which is considerably higher than last year's weight of 173 pounds per hog. Slaughter numbers were slightly larger than expected. The continued liquidation of cattle herds and the very high slaughter weights for cattle during this current quarter have led to a large supply of beef and depressed red meat prices.

The supply of beef will probably remain high through 1986. The *Hog and Pig* report confirms that the supply of pork in the second and third quarters of 1986 will be about equal to last year's supply at the same time. The supply of pork in the last quarter of 1986 and the first quarter of 1987 may be from 2 to 3 percent lower than that of the previous year if intentions to farrow are realized. If these expected supplies materialize, prices should remain between \$40 and \$43 per hundredweight live hog during the second quarter of 1986, and should recover to around \$45 per hundredweight during the second half of 1986. Because the recent *Hog and Pig* report should generate rallies in distant futures prices, producers should take advantage of opportunities to lock in profitable prices.

*Laurian Unnevehr*

Issued by *Laurian J. Unnevehr*, 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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