Cooperative
Extension Service
University of Illinois
at Urbana-Champaign

# WEEKLY OUTLOOK

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## WHERE HAVE ALL THE HOGS GONE?

**Hog prices rallied in April** and have since remained above $50 per hundredweight at Omaha. This surprising strength in prices is due to unexpectedly low slaughter numbers. Slaughter during the first six weeks of the April-June quarter indicates pork production will be down 9 percent from last year. This large decline was not projected from pig crop and market hog numbers in past *Hog and Pig* reports. If current low levels of slaughter continue, there will be the largest discrepancy ever observed between the pig crop and the slaughter two quarters later.

Slaughter during the first six weeks of the April-June quarter was 9 percent less than last year. Projections of total production for the quarter, based on slaughter so far, indicate that pork production will also be down 9 percent. This large change is equal to the very sharp drop in production observed last summer.

In contrast to last summer, though, current high prices for hogs are in line with the small supply and past consumer behavior. Our demand model projects an average price of $51 for this April-June quarter if pork production is actually down 9 percent. This is close to the present average of $53.

The current price differs widely from the $43 average price projected in the April *Outlook Update: Hogs*. The low price-projection was due to an estimate of spring slaughter that was much larger than what has actually appeared. Estimated pork production for spring 1987 was based on the fall (September-November) pig crop and the number of heavy market hogs March 1. These two indicators agreed fairly closely and predicted that spring 1987 production would be down only 1 percent.

What could have caused such an unprecedented difference between projected production and actual production? Few clues can be found in the recent hog inventories. The number of sows farrowing last fall was a normal percentage of the reported breeding herd. Pigs per litter did increase, but this has been the recent trend. The number of heavy market hogs March 1 agreed with the fall pig crop count. If there has been a miscount in the hog inventory, it has been fairly large and has been repeated.

Other possible explanations for the slaughter shortfall include early winter marketing of the fall pig crop, marketing prevented by spring planting, gilt retention, or sharply reduced live hog imports. Each of these might reduce production by 1 percent, but even taken together they do not account for the very large observed shortfall in production.

The big question for producers is how long the short supplies and the high prices will last. The unusual disagreement between the projected supply and the actual supply makes projections very uncertain. The *Hog and Pig* report is still, however, the best indicator we have. The most recent report showed a large winter pig crop that should lead to summer pork production 9 percent above last year. Thus there is likely to be a sharp turnaround in the supply of hogs within the next few months.

Currently, summer and fall futures prices have been pulled up by the recent increase in cash prices. Producers should consider locking in those prices at the first sign of weakness in the cash hog price.

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