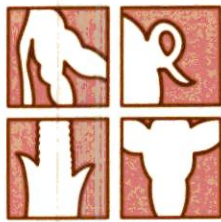




Cooperative
Extension Service
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WEEKLY OUTLOOK

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

October 7, 1987

HOGS AND PIGS REPORT AGAIN SHOWS EXPANSION

The *Hogs and Pigs* report released on September 30 again indicted a major expansion in hog numbers and pork supply for the next 12 months. It confirmed a 10 percent increase in the March-May quarter pig crop and estimated the June-August quarter crop at 11 percent larger than last year. It indicated intentions to farrow 7 percent more sows during the September-November quarter, and 8 percent more during the December-February quarter. The report showed a 9 percent increase in the size of the breeding herd and a 9 percent increase in the number of market hogs. If the indicted increases materialize, we should expect hog prices substantially below those enjoyed for the past 16 months.

When looking to the future, the first question is what degree of confidence to place in the report. We use the number of market hogs in the 60-to-179-pound weight bracket to project slaughter during the quarter immediately ahead. The method has a history of being within 3 percent of the actual slaughter. The January-March quarter slaughter was 4.5 percent above projection, the April-June quarter slaughter was 7.8 percent below projection, and the July-September quarter slaughter was about 4.6 percent below projection. These discrepancies have cast doubt on the accuracy of the report. The discrepancies have been responsible for the lower than expected prices early in 1987 and the higher than expected prices since last spring. What do we do now? We should believe the report as shown. First, it is the only basis at hand to estimate supplies and prices. Second, the pattern of increase closely follows previous past profitability expansions, particularly that of 1983. The September 1983 report indicated a comparable increase in supply that did, in fact, materialize. The price of hogs decreased from an average of \$61.40 in the summer of 1982 to an average of \$42.65 during the fall of 1983.

What does the report mean for prices? If the October-December quarter materializes as indicated, pork production will just about equal the past 4-year average fall quarter amount. The 4-year average fall quarter price is \$47.60. A backlash from current high prices at the consumer level may put the price somewhat lower. The production projection is 6.5 percent smaller than the fall quarter 1983 quantity that put prices down to \$42.65.

Looking past the fall quarter, the projected supplies indicated prices in the \$42-to-\$45 range from late winter through spring 1988. Next summer is too far away to address with any reasonable certainty.

We should not expect a return to the high hog prices of the last 16 months within the foreseeable future. A combination of lower feed prices and increasing pressure from abundant broiler and turkey supplies will probably keep pork supplies up and consumer demand reserved.

Finally, the report suggests that hog prices below \$40 for any sustained period are unlikely.

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