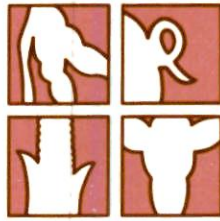




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

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

**January 13, 1988**

## HOG EXPANSION SLOWING

The USDA released the ten-state *Hogs and Pigs Report* on January 6. The December 1 inventory of hogs was up only 7 percent, less than the 9 percent expansion reported in September, and much less than market expectations. The 6 percent increase in the fall pig crop was also less than expected, and less than intentions stated in September. Producers appear to have cut back on future expansion. Intentions to farrow in the winter quarter equal the intentions stated in September, and spring intentions are up only 2 percent. Generally, this report indicates that pork production will increase in 1988, but not as much as predicted earlier. Prices are expected to stay in the low to mid-\$40s per hundredweight during the next six months, and are much less likely to drop below \$40. The futures market rallied strongly in response to this report, providing opportunities for producers to hedge 1988 production at good profit levels.

The ten principal producing states had 42.3 million head of hogs on December 1, 1987, up 7 percent from 1986. The inventory consisted of a breeding herd of 5.4 million head, up 6 percent, and 36.9 million market hogs, up 7 percent. The weight distribution of market hogs confirmed the apparent decline in inventory since September 1. Very heavy hogs over 180 pounds were up 14 percent. These hogs were part of the very large fall slaughter. Heavy hogs between 60 and 180 pounds were up 7 percent, light hogs under 60 pounds were up only 4 percent.

From September through November 1987, 2.3 million sows farrowed, producing a pig crop of 17.5 million head. This pig crop was up 6 percent over last year, slightly smaller than expected given producers' stated intentions on September 1. Pigs saved per litter, 7.75, were down 1 percent from last year for the second report in a row. Apparently, the herd expansion has brought in slightly less efficient producers.

Producers' stated intentions to farrow 2.1 million hogs in December through February 1987-88 are virtually unchanged from intentions stated September 1. They are reported to be up 10 percent over 1986-87, a substantial increase, because the winter farrowings for 1986-87 were revised downward by the USDA. Producers' first statement of intentions for March through May 1988 is to farrow 2.4 million sows, up only 2 percent from 1987.

The pig crop and farrowing intentions numbers in this report lead to estimated increases in production for 1988. Pork production is estimated to be up 5 percent in the first quarter, up 9 percent in the second quarter, and up 10 percent in the third quarter of 1988. Although these are substantial increases, they are less than the estimates based on the September report.

During the last months of 1987, the long period of high hog prices came to an abrupt end. Live hog prices at Omaha were almost \$60 per hundredweight at the beginning of September and then

fell to \$40 per hundredweight by November. Live hog prices at Omaha averaged \$44 per hundredweight in the last three months of 1987, compared to \$59 per hundredweight during the summer months. This sharp price drop reflects the increase in pork supply, which was 10 percent larger than last year during fall 1987.

The December *Hogs and Pigs Report* indicates that prices may not slide further, because supply expansion in the next six months will not be any larger than in the fall of 1987. Demand for pork continues to be robust compared to earlier years, and the market is absorbing additional pork supply at relatively good prices. Our estimates show prices will remain in the low to mid-\$40s during the next six months, if demand remains strong. If demand returns to the pattern of the early 1980s, growth in poultry supplies may force hog prices to the \$40 level. The futures prices for hogs went limit up following this report. Producers may want to take advantage of this opportunity to lock in profitable prices for 1988 production.



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