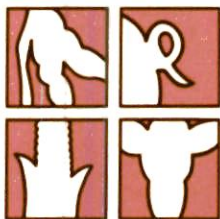




Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

Department of Agricultural Economics  
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## HOG REPORT SHOWS SLOW EXPANSION

The USDA released the 10-state *Hogs and Pigs* report on March 31. The report shows that the March 1 inventory and the winter pig crop were up 6 percent from last year. Intentions to farrow for the next 6 months are up only 2 percent. The report indicates slower expansion in pork supply than expected for 1988. Hog prices should rise again to the \$50 level in late spring and summer, and fall to around \$45 toward the end of 1988. Hog prices should not drop to the \$40 level until early 1989. After the report, futures prices for the rest of 1988 are very near our projections. Risk-averse producers who want to lock in profits may want to hedge at these prices, but outstanding profit opportunities will only be available when futures prices for late 1988 rise above \$45.

The total inventory of hogs in the 10 states was 40.5 million head on March 1, up 6 percent from 1987. The breeding herd of 5.4 million head was up only 4 percent. Hogs in the 60-to-180-pound weight category will go to market during this spring quarter, and these animals were up only 4 percent from last year.

During the period from December 1987 through February 1988, 2.03 million sows farrowed to produce a pig crop of 15.8 million head. Although there have been rumors that disease and severe weather would reduce the pig crop, the number of pigs saved per litter, 7.77 was actually higher than last year's number of 7.75. The 1988 winter pig crop is reported to be up 6 percent from last winter, but this increase is a little misleading because the USDA revised the figure for last winter's pig crop downward.

Producers' intentions to farrow for the next 6 months were the most surprising part of the report. In spite of favorable prices for hogs during the last few months, producers did not indicate plans for substantial expansion. Intentions are to farrow 2.4 million sows in the March-May quarter and 2.3 million in the June-August quarter. These intentions are up only 2 percent from last year. As the breeding herd is up 4 percent, there is potential for producers to revise these farrowing plans upward.

After falling precipitously during the fall quarter of 1987, hog prices rebounded to \$50 levels in early 1988, and then fell again to the low \$40s during recent weeks. These price swings reflect pork production, which was up 12 percent during fall 1987 because rapid weight gains apparently led to early marketings. The large slaughter in fall 1987 "borrowed" supply from that of early 1988, so production in winter 1988 was up only 6 percent.

The March and December reports show that expansion during 1988 will be moderate and that hog prices will remain at profitable levels through the end of the year. Based on the March report, pork production is estimated to be up 8 percent in the spring quarter, 6 percent in the summer quarter, down 2 percent in the fall quarter, and up 3 percent in early 1989. Live hog prices at Omaha are projected to increase to the \$50 level in the late spring and to stay there throughout the summer. Hog prices should fall to \$45 late in 1988, and possibly to \$40 early in 1989. After the report, futures prices for 1988 are very near our projections. These prices are at reasonable levels for producers who want to lock in a minimum profit. Those who wish to wait for outstanding profit opportunities should look for fall 1988 futures prices above \$45.



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