



Cooperative
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WEEKLY OUTLOOK

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HOG REPORT SHOWS EXPANSION, BUT THE DROUGHT OBSCURES THE PICTURE

The USDA released the *Hogs and Pigs* report on June 30, 1988. The report showed substantial increases in inventory and in planned farrowings. Hog inventory in the 10 principal producing states was up 8 percent, the spring pig crop was up 7 percent, and intentions to farrow in the next six months were up 6 percent. Hog prices should be above \$45 through the summer, but the large spring pig crop leads to projected hog prices in the low \$40s in late 1988. The *Hogs and Pigs* survey took place on June 1 before the severity of the current drought was apparent. Producers, therefore, will probably cut back from stated intentions. If so, hog prices will probably be in the mid-\$40s through most of 1989. The futures market currently expects lower prices in late 1988 as producers liquidate; then sharply higher prices are expected by mid-1989. The drop and increase in futures prices seem too large, however, even if producers do liquidate the breeding herd.

The total inventory of 44 million hogs in the 10 principal states on June 1 was up 8 percent from last year. The breeding herd was up only 6 percent, and market hogs were up 8 percent. The smaller increase in the breeding herd may reflect some herd liquidation in response to higher feed prices. Market hogs weighing from 60 to 179 pounds are up 9 percent. These animals will come to market during the current summer quarter.

The spring pig crop of nearly 20 million pigs was up 7 percent from that crop last year. The number of sows farrowing in the spring was up 9 percent, a substantial increase above intentions of 2 percent stated in the report for March 1. In contrast to the trend of the last few years, pigs per litter declined from 7.91 last year to 7.82 this year. Producers stated intentions to farrow 6 percent more hogs during the next six months.

Pork production appears to be up 11 percent over production in the spring quarter of last year. This unusually large increase may have been caused by some liquidation of the breeding herd. Hog prices held up fairly well under this large supply, averaging \$46 per hundredweight for the spring quarter.

The numbers in the *Hogs and Pigs* report indicate substantial expansion in pork production through the first half of 1989. Based on the current inventory and the existing spring pig crop, we project hog prices to average \$47 during the summer and to fall to an average of \$41 in late 1988. If producers hold to their stated plans for expansion, then hog prices will average \$40 to \$42 in the first half of 1989. But producers will probably cut back on farrowings, so prices should recover to the mid-\$40s during 1989.

During the second week of July, live hog futures prices are close to our projections for the remainder of 1988, and slightly higher than our projections for the very distant 1989 contracts. There is considerable uncertainty in both the grain and the livestock markets because of the drought. Producers might wish to lock in prices above \$50 for 1989 contracts. Such prices offer profits even at current high feed costs and are unlikely to materialize in the cash market.



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