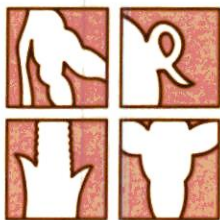




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

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

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HOG REPORT PREDICTS DECLINE IN 1989 PRODUCTION

The USDA released the December 1 *Hogs and Pigs* report on January 6. The total inventory in the 10 states was up only slightly from 1987, and the breeding herd was down 4 percent. More importantly, the recent fall pig crop and intentions to farrow over the next 6 months are down sharply. This means that pork production will fall below the levels of previous years, starting in the spring of 1989. The low price for this hog cycle was probably seen during November 1988. Live hog prices should continue to rise, and will likely reach the high \$40s during the spring and summer of 1989. Futures prices should rise in response to this report, particularly for distant contracts.

The total inventory in the 10 states on December 1, 1988, was just over 43 million head, up very slightly from the figure for December 1987. The breeding herd of 5.3 million head was down 4 percent from last year. Market hogs totaled 37.7 million head, up 1 percent from last year. Most of the slight increase in market hogs was concentrated in the 60- to 179-pound category, which was up 3 percent. These hogs will be coming to market during the current January to March quarter. Pork production for this quarter is predicted to be up 2 percent over last year.

During the months September through November, 2.3 million sows farrowed, just about equal the number from last year. The number of pigs saved per litter, however, was only 7.61, down 2 percent from last year. Therefore, the fall pig crop of 17.2 million head was down 2 percent from last year. As this pig crop comes to market in 5 to 6 months, the smaller fall pig crop means that hog slaughter and pork production during the spring of 1989 should be down by 4 percent from 1988.

Intentions to farrow during the next 6 months were below the last report and also below market expectations. Producers indicated that they expect to farrow 2.1 million sows from December 1988 through February 1989, just about equal to last year's number. More surprisingly, producers indicated intentions to farrow only 2.4 million sows from March through May 1989, down 6 percent from last year. Apparently, high feed costs have discouraged hog producers. Based on these intentions to farrow, pork production is predicted to fall by 4 percent in the summer of 1989 and by 8 percent in the fall of 1989.

During the last 3 months of 1988, pork production was up 8 percent over 1987 levels, and hog prices averaged only \$39 per hundredweight for the entire fall of 1988. The long-term low hog price for this hog cycle was probably posted in November 1988. Prices have since recovered

to above \$40. With the lower production levels expected in 1989, prices should continue to rise. Live hog prices should average \$43 for the current winter quarter, and could rise as high as \$50 in the spring quarter. Prices should remain in the high \$40s through the summer of 1989, and fall to the mid-\$40s during the last quarter of 1989.

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Prices and Outlook

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