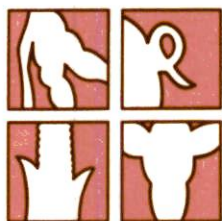




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
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HOG REPORT SHOWS LARGER PORK SUPPLY IN LATE 1989

The USDA released the *Hogs and Pigs* report on June 30. The total inventory of hogs in the 10 major producing states on June 1, 1989, was down 1 percent, and so was the spring pig crop. Intentions to farrow for the next six months are slightly above last year's farrowings. These numbers point to a larger pork supply than the market had expected, and futures prices dropped sharply in response to the report. Hog prices should average in the mid to high \$40s per hundredweight during the summer months and fall sharply to the low \$40s in the fall of 1989.

The total inventory of hogs in the 10 states on June 1 was 43.7 million head, down 1 percent from 1988. The breeding herd and total market hogs were also down 1 percent. Heavy market hogs, however, were equal to last year's number, indicating a slightly larger supply for the current summer quarter than was previously expected.

Spring farrowings of 2.5 million sows were down 2 percent, and the spring pig crop of 19.9 million head was down 1 percent. These farrowings are a substantial increase over intentions stated in the March report. The spring pig crop should produce slaughter in late 1989 equal to that in late 1988. Live hog prices in the fall of 1988 averaged only \$38 per hundredweight, and prices during the end of 1989 are also likely to be low.

Intentions to farrow for the next six months are slightly higher than farrowings in the second half of 1988. This points to slightly higher supply in early 1990 than in early 1989, and early 1990 hog prices in the low \$40s.

During the recent spring quarter, hog slaughter and pork supply were about 6 percent above last year, a surprising increase that was not predicted by earlier inventory reports. Hog prices disappointed producers by staying below \$40 during April. By June, however, prices had recovered to \$46 as production dropped.

The *Hogs and Pigs* report surprised the market by showing more market hogs, a larger spring pig crop, and greater intentions to farrow than expected. Futures prices for live hogs declined sharply in response to the report. Although \$50 hogs are unlikely this summer, prices should still remain in the high \$40s, averaging \$47 per hundredweight. A sharp decline in prices can be expected this fall, however, as

the spring pig crop comes to market. It is not unlikely that live hog prices will again dip below \$40 per hundredweight. Live hog futures prices during the second week of July are about equal to our price projections, and therefore do not offer any unusual pricing opportunities.



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