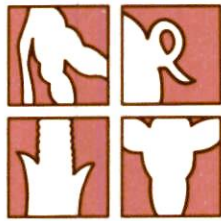




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
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HOG REPORT SHOWS LARGER SUPPLY FOR NEXT SIX MONTHS

The USDA released the *Hogs and Pigs* report on September 29. Total inventory in the 10 states is up 2 percent and the summer pig crop is up 3 percent from last year. The increased number of market hogs and summer pigs means that market supply of hogs will be larger than last year for the next six months. Recent live hog prices of around \$43 per hundredweight have been stronger than expected because of lower slaughter weights and strong demand. As supply increases during the next six months, prices will fall to \$40 or less. Demand is not likely to remain strong beyond the end of the year. Current live hog futures prices are high, keying off from the strong cash price. Producers should take advantage of this opportunity to lock in prices above \$42 for the winter months of 1990 and above \$47 for the summer of 1990.

The total inventory of hogs on September 1, 1989, in the 10 states is 45.8 million head, up 2 percent from last year. The breeding herd of 5.4 million head is down 1 percent, however, indicating that expansion is slowing down. Heavy market hogs weighing between 60 and 180 pounds are up 1 percent. This means an increased supply of hogs coming to market this fall.

A total of 2.4 million sows farrowed from June through August, which is up 1 percent from last year and slightly higher than intentions stated on June 1. These sows produced a record 7.82 pigs per litter so that the total pig crop of 18.6 million head was up 3 percent from last year. This large pig crop will come to market in the first three months of 1990.

The intentions of producers to farrow over the next six months are up only slightly. Farrowings this fall should be just about equal to last year and farrowings in the coming winter are expected to be up 2 percent. Whether producers will actually expand further in response to current strong cash prices remains to be seen.

During the recent summer months live hog prices averaged \$46 per hundredweight. The unexpectedly strong prices resulted from a decline in slaughter weights. After steadily increasing for the last year and a half, slaughter weights for hogs dropped sharply in the summer months. Packers got only 175 pounds of meat per animal,

compared with 179 pounds in the spring. As a result, pork production was 2 percent below last year's level.

Much talk about strong export demand for pork as a result of Japanese purchases and U.S. government shipments to Poland has convinced the market that strong hog prices will continue. These exports could account for as much as 5 percent of market supply during the last months of 1989, and prevent prices from dipping below \$40. The larger supply coming to market during the next six months, however, means that live hog prices are likely to drop below \$40 per hundredweight this winter. Prices should then recover to the mid-\$40s during the spring and summer of 1990.

Live hog futures prices were strong during the first week of October, keying off from current strength in cash prices. Producers would be well-advised to take advantage of these prices to lock in profits for 1990 production.

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