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WEEKLY OUTLOOK

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THIS IS THE YEAR FOR HOGS

Do you know what 1990 has in common with 1978, 1982, and 1986? Besides being four years apart, they are all years of peak hog prices. Now it appears that 1990 will be a peak year too. Nearly 75 percent of all the profits made over the four-year hog cycle are made in the one year around the cycle's high price. In each of these years, terminal hog prices averaged near or above $50 for the year. While a $50 yearly average seems modest compared to current hog prices, in only three years have hog prices averaged such a high for the year—in 1982 at $55, and 1986 and 1987 at about $51. Current projections for 1990 prices put the yearly average near $51.

The recent *Hogs and Pigs* report indicated that producers are not expanding the breeding herd. In fact, at 96 percent of year-ago levels, the breeding herd is in liquidation. This confirms our earlier thought that the breeding herd would be slower to build than what the market in general anticipated. The June report is now expected to reveal a move toward expansion, but the herd will still likely be unchanged or at a level modestly lower than a year ago. There may be one more friendly report for producers, but expect an expanding herd into the summer that could result in a bearish September report.

Farrowing intentions for this spring were down about 3 percent. While this is a reasonable level given the size of the breeding herd, the actual number of farrowings may be almost unchanged or only modestly fewer. Fourth-quarter supplies could be only slightly lower than last year. With the major thrust of the expansion expected to come late this spring and summer, more slaughter hogs will not be expected until the spring of 1991. For 1990, per capita retail supplies will be down about 4 percent, at around 60.5 pounds per person. This supply is similar to 1978, when the average yearly price was near $50, but not as low as in 1982 and 1986, when supplies were about 59 pounds. Do not look for hog prices to achieve the mid-$60 extreme highs of those years.

Commercial production of pork in the U.S. was up modestly in the first quarter of 1990, yet live hog prices were nearly $9 higher than levels a year ago. Beef and poultry supplies were also up, so the strong hog prices are not explained by smaller supplies of competitive meats. The real strength has come from factors related to demand, rather than supply. First, continued improvement in international trade has benefited demand. Secondly, consumers in the first quarter had nearly the same amount of pork as last year, but paid about 10 percent more for it. This price increase appears to reflect stronger retail interest in pork. Finally, the farmers' share of the retail price has increased; a greater percentage of the consumers' pork expenditure has gotten back to the producer. In general, these demand-related factors are expected to remain strong into the summer, and in combination with smaller pork supplies should continue to strengthen hog prices.

Terminal hog prices in the second quarter are expected to average in the low $50 range. Prices in April could drop back to the high $40s, but should strengthen seasonally into June when prices are expected to average in the mid-$50s. Expect stronger prices in the summer quarter, with a mid-$50s average. Daily high prices will likely be in the high $50s, but prices in the low- to mid-$60s are not expected. Fall prices are expected to average in the high $40s.

Producers should try to price as many hogs as possible late this spring and summer. This may mean carrying spring-finished hogs to heavier weights, selling late-summer delivery hogs at lighter weights, and looking for forward contracting opportunities around this summer's cycle-high hog prices.

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