Cooperative Extension Service

WEEKLY OUTLOOK

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PROFITABLE HOG PRICES INTO MID-1991

The USDA's September Hogs and Pigs report provided welcome news for hog producers as the inventory of hogs is smaller than generally expected. The total number of hogs on farms on September 1 totaled 56.3 million head, down 2 percent from last year's inventory. The breeding herd, at 6.9 million head, is unchanged from last year. These inventory figures indicate that producers have been slow to expand the herd and that intentions are for a modest expansion program over the next 6 months. This report should prove to be friendly for hog prices, especially for next spring and summer futures prices.

The inventory of market hogs provides evidence that slaughter supplies will continue to be less than last year, at least through the rest of 1990. The number of hogs which will be slaughtered in the fourth quarter of 1990 is down nearly 3 percent from last year. Hogs which will be slaughtered in the first quarter of 1991 will come primarily from the inventory of pigs weighing less than 60 pounds on September 1. Those numbers are down 1 percent.

Total pork production will also be influenced by average hog weights. Two factors suggest that weights will be up 1.5 to 2 percent over the next 6 months. First, in late 1989, producers aggressively marketed hogs because prices were higher than expected and prices were expected to decline. As a result, average weights were relatively low. Producers should now have greater confidence that hog prices are not going to fade quickly. Secondly, this years's large corn and soybean crops point to moderate to low feed prices.

Pork supplies for the spring and summer of 1991 will be drawn from farrowings this fall and winter. Intentions by producers are to increase farrowings 2 percent for these time periods. The number of pigs per litter is expected to be about 1 percent higher and weights are expected to also continue higher. Total pork production in the second and third quarters of 1991 is expected to be up 4 to 6 percent. For the calendar year of 1991, pork production will likely be about 4 to 5 percent higher than this year.

Individual state data indicate that the size of the breeding herd is very similar to last year's level in most of the major production states. Illinois and Indiana both report a breeding herd which is unchanged from last year. Major states which have moved into expansion are: Iowa up 1 percent; Kansas up 6 percent; Missouri up 5 percent; and North Carolina up 2 percent. Major production states with a breeding herd reduction from last year include: Minnesota and Nebraska, both down 2 percent; and Ohio down 9 percent.

The number of pigs weaned per litter this past summer established a new high level of 7.88 pigs, continuing a string of new quarterly records this year. Several states reached or exceeded the 8.0 pigs per litter level, including: North Carolina, 8.2; Indiana, 8.05; and 8.0 pigs per litter in Minnesota, Nebraska and Ohio. Illinois at 7.7 and Iowa at 7.9 pigs per litter continue to lag in this category.

Prices of barrows and gilts at terminal markets are expected to average in the low to mid \$50s this fall and winter. Prices could dip to near the \$50 level in early November, but recover into December. February highs will likely be near the mid-\$50s.

Even with increasing pork supplies next spring, some price increases are expected in May and June. Prices may exceed the \$55 level. Third quarter prices are expected to average in the \$51 to \$55 range. Hog prices are expected to trend downward after mid-summer 1991 as pork supplies build. Late 1991 prices are expected to be in the mid-\$40s.

Hog producers will want to continue to produce as many pounds of pork as possible over the next nine months. Moderate feed prices and a \$52 to \$53 average hog price over this time period now appear likely. While farrowing intentions show a slow expansion, keep in mind that these are only intentions, actual farrowings could be larger. A number of large producers may be expanding. Many have new buildings to put in place, however, which will delay the expansion somewhat.

Hedging opportunities will likely improve. Any futures contract for delivery in December or beyond that reaches the mid-\$50s level provides a reasonable pricing level.

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