



WEEKLY OUTLOOK



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PORK SUPPLIES ONLY MODERATELY LARGER

The USDA's June *Hogs and Pigs* report indicated that the breeding herd has dropped below year-ago levels. The reported 2 percent reduction in the breeding herd came as a surprise to the market which was expecting a 2 to 3 percent increase. The market herd was up by 1.1 percent, but the increase was mostly in the hogs which were marketed in June or will be marketed in July. The number of hogs in the heavier weight range was up 3.8 percent. Pigs weighing under 60 pounds were down about 1 percent and will mostly be slaughtered in the September through November period.

Actual farrowings for the March-May quarter were lower than previous intentions had indicated. In the March report, producers had indicated they would farrow 1 percent more sows, but the actual farrowings were down by 1.3 percent. In addition, farrowing intentions for the June-August quarter were lowered from 102.6 percent of year-ago levels in the March report to only 100 percent. First intentions for the September-November quarter were listed at 100.6 percent. The reduction in the spring farrowings and the reduction in intentions for summer were the most bullish numbers in the report, especially given the depressed levels of futures prices before the report was released.

Major adjustments were made in the size of the breeding herds reported in March and now in June. The breeding herd inventory previously reported in March for Iowa was lowered by 100,00 animals. This revision dropped the Iowa breeding herd from being up 11 percent to only up about 6 percent. The breeding herd for Illinois in March was revised downward in the June report by 20,000 animals.

While the latest report says the breeding herd has moved into liquidation, several indicators suggest that one should remain cautious regarding a smaller breeding herd size. These factors include: a low rate of sow slaughter in the first half of 1993; a lack of economic losses which are usually needed to push the industry into liquidation; and large adjustments in numbers which may indicate the USDA's difficulty in accurately counting animals at the current time.

The rate of expansion in North Carolina continues upward. The breeding herd there was reported as up 20 percent, and will likely surpass Minnesota in the September report. The state has now added 240,000 animals to the breeding herd in the last three years. This number of "added" animals is now as large or greater than the breeding herd inventories of three of the 10 major hog

states: Ohio - 240,000 animals; Kansas - 185,000 animals; and Georgia - 150,000 animals. The major expansion in North Carolina is driven by the addition of new packing capacity.

The breeding herd in Missouri was up 8 percent, Minnesota was up 2 percent, and Kansas was unchanged. The size of the breeding herds in all the other major states was down.

Over the next 12 months, pork supplies are expected to continue above year-ago levels by about 1.6 percent. The number of sows farrowed will be close to previous year levels, thus the increased pork tonnage will primarily come from increases in the number of pigs saved per litter and in heavier weights.

By quarter, supplies are expected to be up about 1 percent this summer; near unchanged from year-ago levels in the fourth quarter; up about 4 percent in the first quarter of 1994, and up 1 percent in the spring of 1994.

Prices are expected to move lower seasonally into late summer and fall. Late summer prices will likely be in the mid-\$40s, fall prices are expected to average around \$43, and move slightly lower in the winter. Prices by spring should move back into the higher \$40s. For the next 12 months, barrow and gilt prices at terminal markets are expected to average in the \$43 to \$45 range.

Advancing corn and protein prices may become important market factors for hogs. Higher feed prices may drive producers into a loss situation, which will further pressure hog prices late in the summer, fall and winter, but result in better than predicted prices by early next summer.

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