



WEEKLY OUTLOOK



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THIS LITTLE PIGGY WENT WEST, WILL HE COME BACK EAST?

In the transition of the pork industry in the 1990s, the Eastern Corn Belt (ECB) did not fare too badly. Defining the ECB as the states of Illinois, Indiana, Ohio, Michigan, and Wisconsin, the amount of pork produced and the amount processed in the region dropped by only 4 percent. In many circles, this could be defined as almost holding your own.

There were considerable differences among the states for the decade. Only Indiana gained in both total production (1 percent) and slaughter (78 percent). Illinois lost 9 percent in production, but gained 10 percent in slaughter. Ohio gained 7 percent in production, but lost about 50 percent of their processing. Michigan gained 2 percent in production, but lost almost all of their processing, a 95 percent reduction. Finally, Wisconsin experienced the largest declines of the decade with a 28 percent reduction in production and 70 percent decline in processing since 1985, the last year their major processors were in operation.

The ECB is still a major hog production region, representing 20 percent of the national marketings of live hogs in 1999, but this is down from 26 percent of the nation's hogs at the start of the decade. Processing is a similar story, as the portion of pork processed in the ECB dropped from 23 percent in 1990 to 18 percent in 1999. At the end of the decade, the ECB was still producing more hogs than they were processing by a margin of about 2.6 million head. Most of these hogs were processed in nearby plants including Dubuque, Iowa and Louisville, Kentucky, but others were shipped further, to Hatfield, Pennsylvania, and Smithfield, Virginia, for example.

Although the ECB had only 4 percent reductions in actual production and processing for the decade, they did not fare as well in comparison to the country as a whole. United States production increased by 26 percent and processing by 24 percent during the decade. While the ECB lost a little ground in the 1990s, other regions were charging ahead.

The regions charging forward changed during the decade. In the early 1990s, North Carolina was the dominant state leading the charge. However, their growth leveled off after 1996 due to changes in environmental restrictions. Oklahoma, Colorado, and Texas joined the expansion parade during the first-half of the 1990s and continued through the decade. The Western Corn Belt (WCB) states of Minnesota, Iowa, and Missouri experienced rebirth – Missouri in the early 1990s, and Iowa and Minnesota in the late 1990s. Production in the WCB increased by 31 percent while processing increased by 26 percent.

So, the question becomes, "What is the future of hog production and processing in the ECB?" There are a number of things that might be done to reverse the trends.

The first objective should be to stabilize production. There are two parts to the hog industry, the old and the new. Further declines can be expected in the old sector as family hog farms leave the industry. Many of these farms have left production in the past five years and an effort could be made to bring some of these units back into production. However, most realize that only a few of these will return and that the trend of decline in the old industry will continue. This group provides an unstable foundation for stabilizing production, but one which should be explored.

This leaves the new industry as the primary tool to address the production stability objective. Competition for the new industry is based upon four key factors: attitudes of citizens in local communities regarding new style pork production; environmental laws and regulations; input costs, especially for corn and soybean meal; access and long-term marketing agreements with packers.

The second goal should be to stabilize or increase processing capacity. The region has a core of leading hog processing companies. Their continued willingness to invest in the region will depend upon the following key factors: supply of live hogs for processing; competitors in the region; willingness of producers to supply hogs in coordinated long-term contracts; and input availability and costs, especially labor, water, and taxes.

The third objective is for the industry to continue to explore ways to add greater value to pork products, and to take advantage of the close proximity that the ECB has to a large population base.

Meeting these objectives will not be easy. The best hope will come from an organized effort among the states of the Eastern Corn Belt, and coordination of effort among state governments, universities, and the pork industry.

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