ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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PRODUCERS RELUCTANT TO INCREASE HOG PRODUCTION

THE HOGS AND PIGS REPORT released on September 20 showed a decline of 1 percent in hog numbers on farms as of September 1 in the 14 major hog-producing states. The June-August quarter this year was the third successive one in which the sows farrowed and pigs weaned have been below year-earlier numbers. The recent trend has been down in pork production.

The reluctance by farmers to expand hog production has baffled many "experts." In a recent research study of Illinois pork producers, individual farmers who had expanded their pork output by 20 percent or more were asked what the important reasons were for expanding production. Over two-thirds of the producers said future profit expectations was the most important reason for expanding their hog production.

During the past 12 months, pork production has been profitable, measured in 1978 dollars. With the large 1978 corn crop and corn prices near the loan rate, sizable profits are projected for early 1979 also. According to the September 1 report, expansion in hog production has not yet occurred. Farrowing intensions for the September-November, 1978, and December-February, 1979, quarters show a future expansion of only 3 percent, in the number of sows to be farrowed. The pigs farrowed after September 1 this year will be marketed after March, 1979.

The important question is: "What are the events or conditions that have severely shaken the confidence of pork producers about profit expectations from producing more hogs?" Several reasons may be suggested: (1) profit expectations, measured in inflated dollars, must be double what they were in 1970-1972 to bring about the same expansion response; (2) the uncertainty caused by bureaucratic involvement (including adverse and in some cases, misleading publicity) on issues such as sulfa residues in meats and nitrites in cured meats; and (3) high building costs resulting from increases in material costs as well as from stringent livestock waste regulations like those recently imposed in Iowa, where 25 percent of the nation's hogs are produced. There may be other explanations but these seem most plausible at this time.

With a projected reduction of 7 percent in beef supplies during 1979 and little or no expansion in pork production, hog prices (now at the $50 level at terminal markets) should remain strong and even rise during 1979. How high hog prices will go in the next 6 months depends largely on the willingness of consumers to buy red meat at higher prices and the potential for action by governmental agencies regarding the use of nitrites in cured pork products. These uncertainties may delay even longer the time it takes for pork producers to regain their confidence in future profit expectations and increase production. Meanwhile, consumers are likely to pay higher prices for red meats.

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