



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

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HOW LONG WILL CATTLE AND HOG PRICES REMAIN FAVORABLE?

HOG AND CATTLE PRICES INCREASED SUBSTANTIALLY during the first half of 1982 and are now at levels that make cattle feeding and hog production unusually profitable. Part of the increased profitability results from livestock price increases, but much of it has been caused by lower grain prices. From a livestock producer's point of view, the current situation is a happy one. However, in the past, such favorable price relationships have contained the seeds of their own destruction. In due course, the favorable imbalance will be corrected. This fact should be of primary concern to livestock producers as they develop production and pricing plans.

At the moment, the imbalance between livestock and grain prices is not apt to be corrected by increased grain prices. The carryover of wheat was large, and a bumper crop has been nearly harvested. The carryover of corn will approach record levels, and probably the 1982 crop will also be large. Eventually, large supplies and low prices will adversely affect livestock prices.

The semiannual inventory of cattle will be released on July 26. We expect that it will show a moderate increase in beef cow numbers and a sharp increase in the calf crop. Cow numbers began to increase in 1980; in the past, such increases have tended to persist for several years. If the calving rate is average, the 1982 calf crop should exceed that of 1981 by about 5 percent. Cattle feeders appear to be in an unusually current situation. Cattle slaughter during the first half of 1982 was somewhat larger than expected. On the basis of January 1 numbers, we expected a slaughter increase of only 0.5 percent for the year. Actual slaughter during the first six months was up 2.3 percent. The July 26 cattle inventory numbers will furnish a basis for estimating beef production during 1983.

Hog producers may not have reduced production as much as the quarterly Hogs and Pigs reports indicate. Based on the December-February pig crop, hog slaughter during June-August should decline 14 percent from a year ago, and based on the June 1 inventory of market hogs, it should be down 8 percent. Federally inspected hog slaughter during June and the first half of July has been only

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6 percent less than that of last year. The June Hogs and Pigs report indicated a decline of 13.5 percent in the March-May pig crop. These hogs will be slaughtered during the September-November quarter. (The sows were bred late last fall after a bumper corn crop had been harvested and grain prices had decreased.) The recent larger-than-expected slaughter and the low grain prices of last fall thus suggest that hog slaughter this fall also may not be as small as the June Hogs and Pigs report suggests.

In addition to the possibility of increased production, hog prices are vulnerable because of an unfavorable relationship between pork loin and wholesale beef prices. Wholesale beef carcass prices increased from \$1.00 per pound in early 1982 to an average of \$1.16 in May but have since decreased to \$1.06. On an average, wholesale pork loin prices increased from \$0.94 in March to a June price of \$1.22 that is currently holding.

Today wholesale beef prices are moderate when compared with those in 1979-81, but wholesale pork prices are much above comparable levels. This changed relationship will direct consumers away from pork toward beef.

Hog prices appear to be more vulnerable to the delayed impact of large 1981 and 1982 grain crops than cattle prices.

Prepared by Thomas A. Hieronymus, Professor Emeritus, Agricultural Economics.

Darrel Good

Issued by *Darrel Good*, Extension Economist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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