

Briefs

Livestock, Dairy, & Poultry**Hog Prices to Strengthen in 2000**

U.S. pork production is expected to set another record in 1999, pressuring prices down from the already relatively low 1998 average. Expectations are based on slaughter in first-half 1999 and on the June 1 market inventory of all hogs and pigs weighing under 180 pounds. While producers' returns improved dramatically in first-half 1999 over fourth-quarter 1998, when hog prices were the lowest in half a century, returns remain generally unfavorable.

The year-over-year decline in prices will likely encourage producers to reduce herds in 1999, leading to a modest pork production decline in 2000. With the decline in pork production and tighter competing beef supplies expected in 2000, hog prices should register a moderate gain.

USDA's *Hogs and Pigs* report released in June indicates that producers continue to reduce herds. However, the reduction is less than previously expected, as low feed costs have partially mitigated the impact of low hog prices. While producers reported intentions in March to have 7 percent fewer sows farrow during March-May than a year earlier, actual farrowings during the period were only 3 percent lower. The June 1 inventory totaled 60.5 million head, 3 percent below a year ago but 1 percent above March 1, 1999. Breeding hog numbers totaled 6.5 million head, down 6 percent from a year ago but virtually unchanged from March 1.

The June 1 market hog inventory suggests about a 3-percent decline in second-half 1999 hog slaughter compared with a year earlier. However, with expected heavier average dressed weights (based on weights this year and on trend weights), pork production in second-half 1999 will likely decline only about 1 percent.

As lower farrowing intentions offset a continuing rise in pigs per litter, pork production in first-half 2000 will decline about 3 percent from a year earlier. Average dressed weights are expected to be virtually unchanged. Expected low feed prices and continued expansion of large, lower cost operations will likely moderate the decline in production as smaller and higher cost operations exit the industry.

In Mexico's pork industry, technologically advanced production systems now account for about half of the country's pork output.

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With hog slaughter quite high in June and July, hog prices dropped from the high \$30's per cwt in May to near \$30 in late July. Other factors in this year's steep price slide include abundant supplies of competing meats, large cold-storage stocks of pork, and the market's realization that the hog production cutback was less than indicated in March. Prices rallied in August, but they are expected to decline in September as slaughter rates rise seasonally.

In the fourth quarter, prices are expected to slip into the \$20's per cwt at times due to heavy weekly slaughter. Hog prices for this year are expected to average \$30-\$32 per cwt, the lowest since 1972 and about \$3 below last year's average. However, prices are unlikely to drop to the extreme low of near \$10 per cwt reached late last year.

In 2000, declining per capita pork supplies and less competition from beef may

boost average hog prices into the mid-\$30's per cwt. Pork stocks should decline, and commercial pork exports are expected to be about the same as this year.

Composite retail pork prices are expected to average 1-2 percent lower this year than in 1998, due to record supplies of pork and competing meats. As these supplies moderate, retail pork prices are expected to return to 1997-98 levels.

Retail pork prices have remained relatively steady despite the volatility of hog prices. Retailers have found that they can move pork off the shelf without large price discounts. Consumer incomes are strong, increasing the demand for meat. Over time, pork demand appears to have increased in response to higher quality, greater consistency, and larger cut size offered by the industry. Growing pork supplies have not yet outpaced rising retail demand at current prices. **AO**

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Upcoming Reports—USDA's Economic Research Service

The following reports will be issued electronically on dates and at times (ET) indicated.

September

- 8 *Fruit and Tree Nuts**
- 10 *World Agriculture Supply and Demand Estimates (8:30 a.m.)*
- 13 *Cotton and Wool Outlook (4 p.m.)***
*Oil Crops Outlook (4 p.m.)***
*Rice Outlook (4 p.m.)***
- 14 *Feed Outlook (9 a.m.)***
*Wheat Outlook (9 a.m.)***
- 20 *Agricultural Outlook**
- 21 *Sugar and Sweeteners**
- 23 *Agricultural Income and Finance**
- 24 *U.S. Agriculture and Trade Update (3 p.m.)*
- 27 *Tobacco**
- 28 *Livestock, Dairy, and Poultry (4 p.m.)***

*Release of summary, 3 p.m.

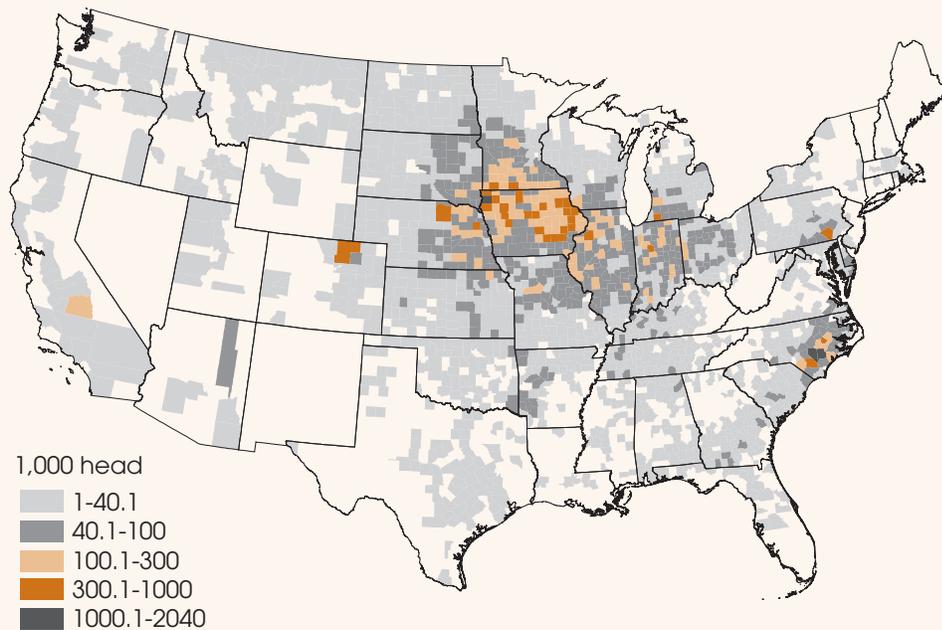
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Ag Industry Snapshot

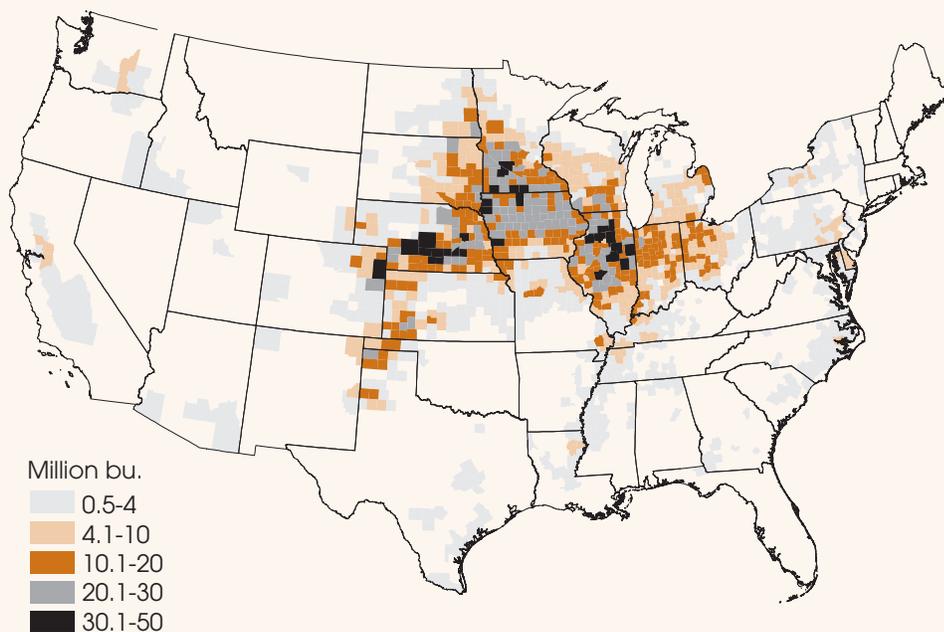
Geographic Concentration of U.S. Hog Production

- **The bulk** of U.S. hog production is located in the Midwest, taking advantage of proximity to abundant feed supplies. With substantial corn output in Iowa, Illinois, Indiana, and other north central states, feed costs are relatively low.
- **Hog production** has expanded in less traditional areas since the 1970's, particularly in North Carolina and Arkansas, despite the disadvantage of higher feed costs (although higher-volume shipments lower grain transport costs).
- **In less traditional** hog production states like North Carolina and Arkansas, industry growth reflects improved production methods similar to those pioneered in the areas' poultry operations. The result is less labor per unit of production, more pigs per litter, and lower death losses. In addition, proximity to large population centers reduces transport costs of pork.

U.S. Hog Production Is Concentrated in Midwestern and Eastern U.S. . . .



. . . Generally Near Corn Producing Regions



Hog production in 1997; corn production in 1998.
 Source: National Agricultural Statistics Service, USDA.
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