

Briefs

Livestock, Dairy, & Poultry**Hog Producers' Returns to Moderate In 2001**

Higher farrowing intentions signal increased pork production in 2001, resulting in lower hog prices that will reduce producers' returns. But with low feed prices expected to continue, returns should remain above breakeven (returns equal cash costs) for most of the year.

In 2000, hog prices averaged in the mid-\$40's per cwt, compared with the mid-\$30's in 1998 and 1999. Higher hog prices, along with relatively low feed prices, drastically improved producers' returns, which were above breakeven in early 2000 for the first time since late 1997. Responding to the improved returns, in the fourth quarter producers reversed the decline in the number of sows farrowing that had persisted for seven quarters. The number of sows farrowing during September-November rose 1 percent compared with the same period a year earlier, and producers in December indicated intentions to increase the number by 2 percent during December-May.

Farrowing intentions in December-February are up 4 percent from actual farrowings a year earlier and slightly higher than reported in September. March-May farrowing intentions are up just 1 percent from actual farrowings a year earlier—lower than expected by many analysts. The cautious increase could be attributed to concerns about a possible squeeze on slaughter capacity in late 2001 when most of the March-May pig crop comes to slaughter, or may reflect that the capacity of existing farrowing facilities has been reached. The lead-time to build new facilities today has been lengthened compared with several years ago due to the need to raise large amounts of capital for the larger farrowing facilities and environmental regulations (which increase the time needed to obtain operation permits).

Based on the market hog inventory, pig crops, and farrowing intentions reported in December, commercial pork production in 2001 is forecast at 19.25 billion

pounds, up 2 percent from 2000. If this level of production is realized, it would be just 28 million pounds short of the record set in 1999.

Pork production in first-quarter 2001 will likely be down less than 1 percent from a year ago. The June-August 2000 pig crop implies a first-quarter 2001 slaughter of about 24.7 million head, down from 25 million a year earlier. Given the heavy dressed weights in January and the upward trend in weights, the average dressed weight is expected to rise about 2 pounds.

Most of the September-November pig crop will be slaughtered in second-quarter 2001. Dressed weights are expected to decline from the first quarter but still be about a pound above a year ago. The larger pig crop and dressed weights are expected to boost pork production in the second quarter about 2 percent above a year ago.

With pigs per litter expected to be up slightly, the December-February pig crop, which will be slaughtered mostly in the third quarter, is expected to be up 4-5 percent. The average dressed weight for the quarter jumped 4 pounds in 2000 and is expected to climb another pound this year. Third-quarter pork production is expected to total about 4.8 billion pounds, up 5 percent from last year.

December farrowing intentions for March-May imply a pig crop of about 26 million head. If these intentions are realized, fourth-quarter slaughter would also total 26 million head, and production would total nearly 5.1 billion pounds, up just 1 percent from a year earlier.

Although the economy is slowing, per capita consumption of pork is expected to change little year-over-year. In the first half of the year, the slowing economy and sharply higher energy costs this heating season, which will tighten household

budgets, may temper the strong demand experienced last year. In addition, the outlook is for increased year-over-year pork supplies beginning in the second quarter. As a result, prices are expected to average about the same in the first quarter as a year earlier (low \$40's per cwt) and in the mid-\$40's in the second and third quarters. In 2000, hog prices averaged \$50 in the second quarter and \$46 in the third quarter.

In fourth-quarter 2001, seasonal influences, along with rising pork and poultry production, are expected to pressure hog prices into the mid-\$30's per cwt. Beef production, however, is expected to be down sharply, which will reduce the overall level of competition at the meat counter. Weekly federally inspected hog slaughter is expected to exceed 2 million head per week except for holiday weeks. When slaughter rates exceed 2 million head per week for an extended period, slaughter capacity is strained and hog prices are bid down.

Overall, hog prices in 2001 are expected to average in the low \$40's per cwt, compared with nearly \$45 in 2000. However, given the expected continuing low feed prices, producers' returns should support a year-over-year increase in the number of sows farrowing this year. This suggests a further rise in pork production in 2002.

Retail pork prices (as measured by the Bureau of Labor Statistics price index) are expected to average about the same in 2001 as in 2000. In 2000, prices rose a sharp 7 percent. The farm-to-retail price spread is expected to widen as farm value declines. In 2000, the farm-to-retail spread narrowed 2 cents per pound after 2 years of stable spreads.

U.S. pork exports are expected to rise 2 percent in 2001, after a 1-percent rise in 2000. Pork exports continue to face stiff competition in the slow-growing world meat markets. Pork imports rose 17 percent in 1999 and in 2000, due largely to increased imports from Canada. In 2001, pork imports are expected to slow dramatically as U.S. production rises and pork prices decline. **AO**

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