

Pork Producers Party Like It's 1997

COLUMBUS, Ohio — Pork market prices are approaching \$50 per 100 pounds, and for the first time in three years, producers are making decent profits, said Brian Roe, Ohio State University Extension livestock economics specialist.

November 1997 was the last time price levels were this high, and current profit levels are the best since the summer of 1997, Roe said.

"March was one of only about six months since the summer of 1997 where producers made more than just a few cents of profit per 100 pounds of pork," he said.

Pork prices this March averaged \$43 to \$44 per hundred pounds (cwt.), and prices in early April were in the middle to upper \$40s. Prices are projected to peak at about \$50 per cwt. from June through August and then return to the \$40- to \$45-per-cwt. range this fall and winter, Roe said.

With production costs near \$35 per cwt., most producers earned about \$9 above breakeven in March, compared

to losses of \$4 per cwt. in 1999 and \$7 in 1998.

Hog prices had been in the mid \$30 to low \$40 range from November 1977 to September 1998, and that's when the bad times began, Roe said.

Prices dipped below \$30 per cwt. in September 1998, and producers began experiencing major losses. That month, the average producer lost \$25 for each hog sold. The bottom fell out in December 1998 when prices dropped to about \$10 per cwt., and producers lost nearly \$60 per pig.

Overexpansion — encouraged by strong profits in 1996 and 1997 and fears of future environmental restrictions — combined with processing shortages and a natural dip in the price cycle to cause the dramatic plunge in prices, Roe said.

The first few months of 1999 were better, with prices back in the mid \$30-per-cwt. range by May. But the U.S. Department of Agriculture's Hogs and Pigs Report released in June showed the poor market had not caused production to drop as much as

expected, and prices again dropped below \$30 per cwt.

"The last two years have been really tough for pork producers," Roe said. "Once inflation is taken out, hog prices in 1998 were 30 percent lower than they were during the Depression."

The recent improvement primarily has occurred because the U.S. hog breeding herd has finally shrunk enough in response to the poor prices, lowering pork supplies, Roe said. Prior to the big collapse in September 1998, there were 6.9 million breeding hogs in the United States. Since then, the breeding herd has declined 10 percent, to 6.2 million hogs.

"The eastern Corn Belt has contributed a lot to the reduction in breeding hog numbers," he said. "There are 20 percent fewer breeding hogs in the eastern Corn Belt now than there were in 1998."

Ohio's breeding herd is estimated to be 18 percent lower than a year ago. Only Indiana with a 17 percent decline and Wisconsin with a 24 percent decline experienced similar drops,

Roe said.

The number of hogs being taken to market also has shrunk, although not as much as the breeding herd.

"During the same time period (September 1998 to March 2000) the number of animals taken to market went from 56 million to 52 million, only about a 7 percent drop," he said. "Market hog numbers didn't decline as much as breeding hog numbers because the larger, more efficient operations that produce more pigs per sow have remained, while many of the smaller, less efficient operations have dropped out."

Operations with more than 5,000 breeding hogs produce 8.96 pigs per sow, while operations with less than 100 sows produce only 7.73 pigs per sow — a 14 percent difference.

Other factors contributing to the turnaround in pork prices are that processing shortages are no longer an issue and demand for pork — and meat in general — has increased because of a strong economy, changes in dietary habits and better quality

meat products.

In response to the stronger prices, producers are starting to stabilize the decline of the breeding herd.

"Already in January and February of this year the number of sows taken to market is down compared to last year," Roe said. "But the market doesn't seem to be concerned about it yet, because it hasn't made a difference on the futures market."

More pork and other livestock economic information for Ohio and the United States is available on Roe's Ohio State University website (<http://www.agecon.ag.ohio-state.edu/Faculty/broe/>).



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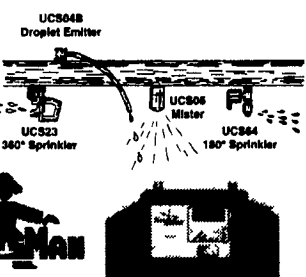
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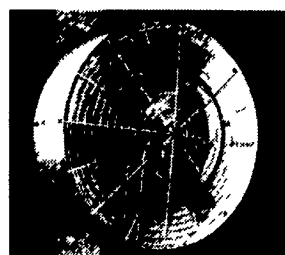
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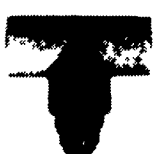
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