



More Pork Please! More Quickly

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September 29, 2014

farmdoc daily (4):187

Recommended citation format: Hurt, C. "[More Pork Please! More Quickly.](#)" *farmdoc daily* (4):187, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 29, 2014.

Permalink URL <http://farmdocdaily.illinois.edu/2014/09/more-pork-please-more-quickly.html>

More Pork Please! That has been the scream of pork consumers this year who have paid record high prices at retail. The latest USDA *Hogs and Pigs* report suggests that pork producers will be able to get more pork to consumers and to get it to them more quickly than had been anticipated.

The rising volume of pork production over the next year will stand on three legs: lower death losses from PED, higher farrowings from producer expansion, and higher market weights this fall and winter. How can pork producers produce more pork quickly? The answer is that the PED virus was not as deadly this summer as anticipated. More baby pigs survived this summer than expected and that will help boost pork supplies by the end of the year and into the winter. The number of pigs per litter this past summer was down 1.6 percent from the previous summer. This is much smaller than the losses in the previous two quarters. The number of pigs per litter was down 5.5 percent in the winter of 2014 and down 5.1 percent in the spring quarter. This meant that the number of market hogs was about one percent higher than expected according to the USDA survey results.

Even more important to the hog and pork price outlook is what will happen to the number of pigs per litter this fall and winter and further into 2015. It is important to keep in mind that PED began to be observed in the national data in October of 2013. Estimated death losses, measured as the number of pigs per litter below trend, was about two to three percent in October and November of 2013. This rose to six to eight percent in the winter months and then four to six percent in the spring of 2014. The critical point is that the number of pigs per litter may actually be above year-previous levels beginning late this fall.

Increasing pigs per litter will be based on the low levels from a year-ago and of course on the perceived "improved management" of the disease this fall and winter. It is clear that PED is not controlled, but the hope is that spread of the disease and the number of death losses can be lowered. There are a host of reasons the industry believes they have "improved management" of PED that include: two vaccines approved for use, better understanding of methods of transmission, and better biosecurity on farms. A milder winter could also contribute. By winter, this "improved management" could result in increasing pigs per litter by two percent to as much as four percent over the same measures of a year ago.

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More pigs per litter is one way pork supplies will likely be expanded and increased sow farrowings is the second way that was revealed by USDA. Producers intend to farrow four percent more sows this fall and four percent more in the winter. It is easy to understand the incentives producers have to expand given record profits this summer and high hog prices and low feed prices due to huge fall crop production. Breeding herd numbers on September 1 were up two percent, or by just over 100,000 head. The biggest portion of this expansion is in two states-- Missouri which was reported to have 40,000 more and Iowa with 30,000 added head. Other states with noted expansions were Texas up 15,000 head and then several with 10,000 additional: Colorado, Illinois, Indiana, and Oklahoma.

Market weights may continue to be somewhat higher this fall and winter. High weights will continue to be driven by low priced feed and favorable profit margins. However, reduced PED losses will not provide as much excess finishing space. Weights may up about one percent this fall and winter and then fall by one-half percent next spring and summer.

More pork will be coming from more pigs per litter, more farrowings, and by more weight in the near-term. Pork supplies this fall will be down about one percent with winter supplies rising by one percent. The farrowing expansion this fall will increase pork supplies toward a four percent increase next spring and five percent greater pork supplies by summer.

Will pork production grow enough to really help corn and soybean meal consumption for the 2014/15 marketing year? The answer is that only about two percent more pork will be produced in the 2014/15 corn and soybean marketing year. However, nearly four percent more pork is expected for the 2015 calendar year. The point is that it takes time to build the animal base and that more than one-half of the marketing year will be over before market hog numbers really begin to rise in the spring of 2015. However, grain farmers can be confident that the feed usage base will continue to build for the 2015/16 marketing year.

In 2014, the pork industry is having a record profit year, partially due to reduced pork supplies as a result of the PED virus. Profits for 2014 are estimated at \$60 per head for average cost farrow-to-finish producers. The third quarter, which came to a close at the end of September, had an estimated \$81 of record quarterly profits. Profits are estimated to be near \$60 in the last quarter and in the lower \$40 per head for the first-half of 2015. By mid-2015, expanded pork production will cut into prices and profits drop to an estimated \$30 per head in the third quarter of 2015 and to \$5 per head in the final quarter. Profits for calendar 2015 are currently estimated at \$30 per head.

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