US: Pig producers advised to not expand operations

Although hog production has returned to break-even levels, Purdue Extension agricultural economist Chris Hurt advises producers to forego expansion for now because of delayed planting and uncertainty about this fall's corn harvest.

Pork producers were among some of the hardest hit financially when the drought of 2012 decimated grain supplies and sent feed prices skyrocketing. But hog prices have rallied this spring, from the mid-$50s per hundredweight in March to the low-$70s, and feed prices have fallen somewhat on the heels of the U.S. Department of Agriculture's March Grain Stocks report that showed more grain than expected.

Even so, late spring planting has brought on some worries about hog production costs, Hurt said. "Delayed planting has most recently sent corn and meal prices trending upward, raising concerns that hog production costs will not drop as much as some had anticipated," he said.

Current production costs are about $67 per live hundredweight. Hog prices for the third quarter are expected to remain about the same, leaving producers at break-even levels for the foreseeable future, Hurt said. Break-even means that all of a producer's costs are covered, including depreciation and family labor. According to Hurt, most producers could continue their operations under break-even conditions, but they aren't likely to expand.

While corn and soybean meal prices are expected to decrease in late summer and into fall as the new crop supplies become available, Hurt said hog prices also would fall, continuing the break-even trend. "Current forecasts are that fourth-quarter corn prices will be $1.25 lower per bushel than third-quarter prices and soybean meal prices will be $40 lower per ton," he said. "That means costs will drop from about $67 per live hundredweight this summer closer to $60 for the final quarter of the year.
"Hog prices are expected to be near the $60 level for the final quarter of 2013 and 2014,

thus continuing break-even conditions."

Hurt advised producers to keep expansion plans on hold until they see how this year's crop sizes and prices pan out and how they will affect hog production costs. More information about the crop will become available over the next 60 days, as the growing season progresses.

"In general, if corn prices stay below $6 per bushel, the pork industry will be able to survive another year of low crop production," he said. "Corn prices above $6 would push the outlook back to losses.

"The opposite would be true of $5 or lower corn prices. Some expansion could be expected with low $5 corn prices, and a more aggressive expansion would be expected with corn prices dropping below $5."

With that in mind, Hurt said expansion of the U.S. pork herd isn't likely until at least the fall. Any expansion at that time would begin with gilt retention and wouldn't increase pork supplies until late summer and fall of 2014.

Source: **Purdue University**

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