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Slaughter Hog Price Patterns at Omaha

Al Wellman[1]

Summary and Implications

Omaha slaughter hog prices from 1975 to 1994 were used to indicate the price patterns that tend to be repeated year to year. A monthly price index and variability of the monthly price were calculated. Strong seasonal price patterns were observed. The price patterns can be used to determine likely price trends during the year. The price data can be used to assist producers with their marketing plan and price forecasting for the future.

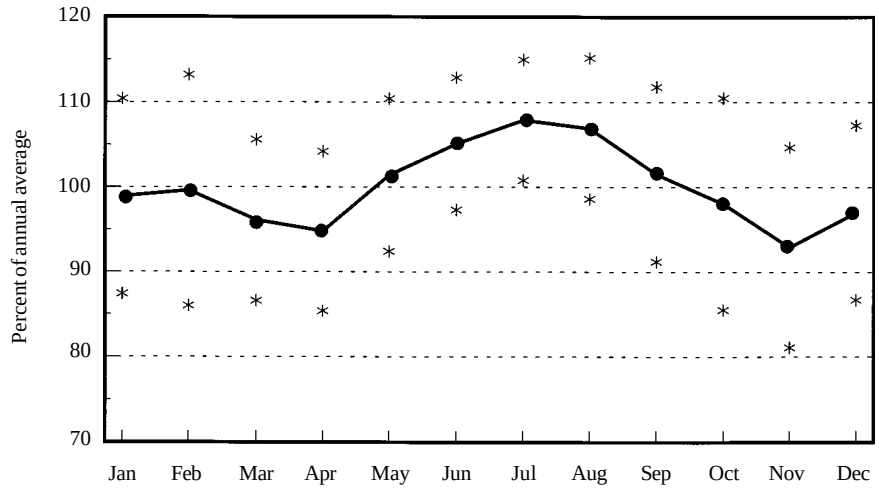
Introduction

Price-risk management strategies require that hog producers have accurate records on past price patterns. The ability to accurately forecast price movements allows the producer to focus on a smaller number of pricing strategies. Knowing the historical patterns of trends, cycles and seasonal price movements can provide a base for forecasting future cash prices. Trends refer to price movements over a period of years. Hog price cycles are fairly regular up and down changes which cover a period of about three to five years. Seasonal price patterns refer to month-to-month or spring-to-summer, summer-to-fall, etc. repeating patterns within a year. This article provides data about seasonal price patterns.

Slaughter hog seasonal price patterns persist from year to year. The price patterns result from changes in hog and pork supplies, changing demand for pork by consumers or a combination of supply and demand changes. Hog prices are affected by the seasonality of farrowings and the resulting supply of pork products. Some seasonal patterns in demand influence hog prices, but the major impact is from supply changes.

Table 1 has the monthly cash prices for Omaha barrows and gilts from 1975 through 1994. By reviewing the past price movements during the year, a determination can be made about the chances that prices will increase or decrease during a particular current or future time period.

Slaughter hog price patterns may change somewhat over time if there are changes in production technology, industry structure or any other factors that offset production patterns or demand. This is reflected by the seasonal price indexes and variability factors in Figure 1. The index primarily reflects the seasonal variation in



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Price index	98.9	99.6	96.1	94.8	101.4	105.1	107.9	106.9	101.5	98.0	92.9	97.0
Variability	11.5	13.6	9.5	9.4	9.0	7.8	7.1	8.3	10.3	12.5	11.8	10.3

Figure 1. Seasonal price index for barrows and gilts at Omaha, 1975 to 1994.

Table 1. Prices ($/cwt) received for barrows and gilts,[1] at Omaha, Nebraska from 1975-1994.[2]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Average
1975	39.78	39.93	40.13	41.03	46.77	43.93	56.67	58.87	61.26	61.10	52.19	50.52	49.35
1976	50.13	49.70	47.34	48.57	49.79	51.86	49.57	44.47	40.14	33.12	33.00	39.17	44.74
1977	40.53	31.06	38.08	37.66	42.62	45.07	46.62	44.81	41.71	41.44	40.55	45.48	41.30
1978	46.70	49.77	48.11	46.88	50.10	49.80	48.03	49.35	50.24	53.15	49.76	51.01	49.41
1979	53.31	55.60	50.67	45.99	45.25	41.82	40.46	38.54	39.52	35.48	36.16	39.66	43.54
1980	38.37	38.63	35.01	29.66	30.28	36.10	43.80	48.54	47.47	48.74	47.25	46.20	40.84
1981	41.38	42.40	39.48	39.60	41.66	47.11	50.47	50.28	49.82	45.89	41.74	39.54	44.11
1982	46.86	50.34	49.86	52.50	58.50	59.63	60.46	63.47	63.36	57.49	54.68	56.71	56.16
1983	57.96	58.69	51.67	48.47	47.96	46.69	47.00	50.02	46.10	42.18	40.16	49.19	48.84
1984	50.88	47.15	47.94	49.13	48.50	51.53	54.63	52.63	47.87	45.50	49.69	51.50	49.75
1985	50.25	49.67	44.68	42.42	43.41	46.93	47.62	44.04	40.68	44.68	45.21	48.07	45.64
1986	46.82	44.44	41.70	41.15	48.62	55.37	61.88	63.76	60.51	55.26	55.04	53.49	52.34
1987	49.31	49.71	48.83	51.91	55.81	60.82	62.20	60.62	55.29	49.20	42.07	42.71	52.37
1988	46.43	48.23	43.20	42.39	48.35	48.89	46.09	46.02	40.85	39.28	37.49	42.91	44.18
1989	43.03	42.12	40.75	38.38	44.36	47.72	48.46	48.17	44.87	48.23	47.15	51.03	45.36
1990	49.33	50.33	53.03	54.80	63.54	61.71	63.18	57.59	55.91	57.83	50.88	49.85	55.67
1991	52.33	52.97	52.52	51.74	55.44	55.75	56.40	51.28	47.18	44.15	38.89	39.45	49.84
1992	37.99	41.32	39.75	42.56	46.65	48.24	45.57	45.43	42.87	43.02	42.49	43.01	43.24
1993	42.39	45.18	47.30	46.25	47.92	49.35	47.07	49.11	48.71	47.78	43.62	41.23	46.33
1994	44.88	48.84	44.70	43.29	43.27	43.78	43.42	42.93	36.15	32.83	29.02	32.90	40.50
20-Year Average													
1974-95	46.43	46.80	45.24	44.72	47.94	49.61	50.98	50.50	48.03	46.32	43.85	45.68	47.17

[1]U.S. No. 1 & 2, 200-220 lbs., 1975-1978; 200-230 lbs., 1979-1984; 210-240 lbs., 1985-88; 230-240 lbs., 1989-1991; 230-250 lbs., 1992-94.
[2]Information compiled from Livestock and Meat Statistics, Livestock Market News, USDA.

price. The variability factor indicates the reliability of the price index for a particular month.

Price Index

A price index of the monthly prices is calculated for the 20-year period. The price index is a measure of the relative level of monthly prices over the calendar year with 100 as the base. The index shows the average relationship of prices in a particular month to the average for all months for the 1975-94 period. The price index of 98.9 for January indicates that in January Omaha slaughter hogs have averaged 98.9 percent of the annual average. In July, the price index is 107.9 indicating prices have risen on the average 9 percent between January and July (107.9 - 98.9).

Price Variability

Variability is a measure of the variation of each month's average price. It is an indication of the reliability of the price index for each month. It is based on the variability of prices for the indicated month during the 1975-94 period.

For example, the January price index value is 98.9 and the variability indicator is 11.5. This means the expected price in January may be as high as 110.4 percent or as low as 87.4 percent of the annual average price in about two-thirds of future years. The smaller the variability factor, the more reliable is the monthly index.

Price Patterns

Price patterns for the 1975-94 period indicate monthly slaughter hog prices were below the yearly average January through April, then increased through July. Prices declined from August to a fall low in November, then improved slightly in December. Priced tended to be above the yearly average from May to September and below the yearly average from January through April and October to December. Lowest prices were in April and November and the highest prices usually were in June, July and August.

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