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NebFact

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Feeder Pig Price Patterns at Omaha

by Al Wellman, Extension Marketing Specialist

The key to developing marketing strategies is having records on past price patterns. Knowing the historical patterns of trends, cycles and seasonal price movements can provide a base for forecasting. Trends refer to consistent 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 repeating patterns within a year. This NebFact provides data about seasonal price patterns.

Feeder pig seasonal price patterns persist from year to year. The price patterns result from changes in pork supplies, changing demand for pork by consumers or a combination of supply and demand changes. Feeder pig prices are affected by slaughter hog and cull sow prices, the seasonability of farrowings and the resulting total supply of pork products.

Table I shows the monthly cash prices for Omaha feeder pigs from 1978 through 1997. 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.

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 1978-97 period. The price index of 96.7 for January indicates that in January Omaha feeder pigs have averaged 96.7 percent of the annual average. In April, the price index is 117.4 indicating prices have risen on the average 21.4 percent between January and April (117.4 ÷ 96.7).

Price Variability

Variability is a measure of the variation of each month's average price. It indicates the reliability of the price index for each month. It is calculated using the variability of prices for the indicated month during

the 1978-97 period.

For example, the January price index value is 96.7 and the variability indicator is 15.1. This means the expected price in January may be as high as 111.8 percent or as low as 81.6 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.

Omaha Feeder Pig Price Patterns

Price patterns for the 1978-97 period indicate monthly feeder pig prices were above the yearly average in February through May. Prices declined seasonally from April through July, a drop of about 30 percent. Prices were below the annual average for the year from June through January. Highest prices were in April and lowest prices were in July. Strong spring prices are from producer expectations that there will be summer highs for slaughter hogs. Conversely, weak summer prices occur from expectations of seasonally low fall slaughter hog prices. The large variability of feeder pig prices results from perceived profits that can be quite volatile because of changing feed grain and market hog prices.

Table I. Feeder Pigs (40-50lb), Price Received Per Cwt. at Omaha, Monthly, Yearly Average 1978-1997.[1]

Year	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*Yearly Average*
1978	40.81	44.38	52.25	56.07	58.78	49.98	48.16	53.13	56.28	57.35	56.25	49.91	51.95
1979	45.28	49.22	56.10	55.94	47.60	37.13	26.94	26.65	32.88	25.53	28.30	32.67	38.69
1980	32.69	35.85	32.44	25.88	24.63	24.72	24.25	34.10	38.31	41.88	41.75	40.25	33.06
1981	36.03	39.25	36.38	42.88	37.65	39.41	39.75	39.38	43.50	40.50	38.69	37.83	39.27
1982	34.88	41.38	50.60	58.25	59.38	52.40	54.19	62.25	61.95	55.28	49.56	47.55	52.31
1983	48.25	52.67	54.45	43.38	39.88	30.00	24.00	26.70	26.38	27.28	26.30	24.25	35.30
1984	34.00	41.00	48.12	49.75	42.50	39.50	35.25	36.00	36.50	34.75	39.31	34.69	39.28
1985	42.50	43.25	47.06	47.00	43.15	40.88	33.05	33.62	31.19	36.95	36.75	33.81	39.10
1986	36.95	37.50	40.88	41.80	41.50	43.38	51.90	57.56	58.75	56.80	49.75	50.67	47.29
1987	53.00	55.25	56.81	56.75	53.94	50.88	49.80	49.00	50.60	47.62	45.66	41.13	50.87
1988	36.37	43.13	50.40	54.06	52.25	39.00	30.56	31.40	30.94	33.13	36.10	33.88	39.27
1989	35.06	36.75	42.55	40.81	40.45	34.25	29.13	33.10	36.69	39.38	43.69	40.00	37.66
1990	48.06	52.50	61.38	61.75	61.00	48.88	45.56	44.78	40.56	49.85	49.63	44.92	50.74
1991	47.10	57.19	61.69	64.31	58.05	42.96	42.50	35.69	34.00	37.63	30.00	29.50	45.05
1992[2]	33.13	39.00	41.67	41.06	37.75	32.25	28.50	29.50	34.00	36.75	35.50	31.50	35.05
1993[2]	35.50	38.25	41.00	51.00	44.00	38.52	33.75	34.50	35.25	37.13	35.25	29.50	37.80
1994[2]	39.13	47.25	46.50	48.44	42.40	33.63	32.75	32.63	26.84	26.06	23.90	26.50	35.50
1995[2]	35.60	39.88	45.50	43.28	33.78	30.80	28.88	34.10	39.75	38.85	29.81	39.58	36.65
1996[2]	28.60	30.25	36.75	28.90	26.60	25.88	27.20	37.19	37.00	40.60	46.00	38.25	33.60

1997[2][3]	50.50	53.67	55.75	61.90	61.88	60.88	56.70	50.88	46.10	36.75	35.63	34.35	50.42
20-Year Average													
1978-97	39.67	43.88	47.91	48.66	45.36	39.77	35.14	39.11	39.87	40.00	38.89	37.04	41.44

	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
Price Index	96.7	107.1	116.5	117.4	108.6	95.1	88.2	93.6	95.6	96.6	94.4	90.0
Variability	15.1	17.5	17.4	18.2	15.7	10.1	12.6	13.7	15.7	16.9	19.0	15.6

[1] Information compiled from Livestock and Meat Statistics, Livestock Market News, USDA.
[2] U.S. 1&2, 45-50 lbs., 1992-1997.
[3] Sioux City Public Market.

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