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# NebFact



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## Slaughter Hog 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.

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 seasonability 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 I* has the monthly cash prices for Omaha barrows and gilts 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

An 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 98.0 for January indicates that in January Omaha slaughter hogs have averaged 98.0 percent of the annual average. In July, the price index is 107.8 indicating prices have risen on the average 10 percent between January and July (107.8 8 98.0).

### 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 based on the variability of prices for the indicated month during the 1978-97 period.

For example, the January price index value is 98.0 and the variability indicator is 11.4. This means the expected price in January may be as high as 109.4 percent or as low as 86.6 percent of the annual average price in about two-thirds of future years. The smaller the variability factor, the more reliable the monthly index is.

## Omaha Slaughter Hog Price Patterns

Price patterns for the 1978-97 period indicate monthly slaughter hog prices were below the yearly average in January, March and April, then increased through July. Prices declined from August to a fall low in November, then improved slightly in December. Prices tended to be above the yearly average from May to September and below the yearly average in January, March, April and October to December. Lowest prices were in April and November and the best prices usually were in June, July and August.

**Table I. Barrows and Gilts,<sup>1</sup> Price Received Per Cwt. at Omaha, Monthly, Yearly Average 1978-1997<sup>2</sup>**

<i>Year</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Yearly Average</i>
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

1995	38.38	39.48	38.45	36.55	38.18	43.94	48.05	50.01	48.98	45.77	40.40	44.99	42.77
1996	43.56	47.58	49.71	51.59	59.26	57.39	60.45	60.38	55.54	55.80	55.49	56.38	54.43
1997	54.37	52.37	49.13	55.80	58.63	58.54	59.49	54.42	50.10	46.97	45.49	41.51	52.24
<b>20-Year Average</b>													
1978-97	46.73	47.74	45.82	45.55	48.78	50.56	51.74	51.33	48.60	46.96	44.63	46.07	47.88
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Price Index	98.0	100.2	95.9	95.0	101.5	105.4	107.8	107.1	101.4	98.1	93.2	96.4	
Variability	11.4	11.7	8.7	9.1	9.5	6.6	7.1	8.0	9.0	10.0	10.8	10.6	
<sup>1</sup> U.S. No. 1 & 2, 200-220 lbs., 1976-1978; 200-230 lbs., 1979-1984; 210-240 lbs., 1985-1988; 230-240 lbs., 1989-1991, 230-250 lbs., 1992-1997.													
<sup>2</sup> Information compiled from Livestock and Meat Statistics, Livestock Market News, USDA.													

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