



## Fewer Market Hogs with Glimmers of Expansion

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The USDA's December *Hogs and Pigs* report places the December 1 inventory of all hogs and pigs at 73.1 million head, down roughly 1% from last quarter and 2% from last year. The year-over-year decline is driven by a nearly 2% smaller market hog inventory, which is toward the bottom end of pre-report estimates, as the breeding herd is nearly 0.5% larger than a year ago. Correspondingly, all weight classes of market hog inventories are down about 2% compared to the same time last year. As such, there are nearly 2% fewer hogs weighing under 180 pounds than a year ago, and these will be the market hogs arriving at processing plants from January to May 2023, suggesting some tempering of supply in the near-term.

The decline in lighter weight hogs partly reflects that the September-November pig crop is 1% smaller than last year, as about 1% fewer sows were farrowed and 11.22 pigs were saved per litter compared to 11.19 for the period in the prior year, continuing the upward trend in pigs per litter observed over the last decade. Still, a smaller fall pig crop, resulting from fewer sows farrowed, should imply a similarly smaller slaughter this spring.

Meanwhile, winter farrowing intentions are up almost 1% from actual farrowings last year, and spring farrowing intentions are up about 0.5%—both toward the upper end of pre-report estimates, hinting at slightly greater intentions to expand than anticipated on average.

Cold stocks of pork have rebounded from Covid-19 pandemic lows, but have not yet returned to average pre-pandemic levels. According to the USDA cold storage report, cold stocks of pork on November 30 are down 11% from the prior month and up 13% from a year ago. Meanwhile, poultry stocks are down 11% from the prior month but up 18% from a year ago, while beef is up 2% from the prior month and 6% from last year.

The USDA estimates U.S. per capita pork consumption at 51.4 pounds per person for 2022, and forecasts the number rising to 52.1 pounds per person in 2023, matching 2019 consumption levels prior to COVID-19. Hence, domestic demand should remain robust.

The U.S. exported 540 million pounds of pork in October, just barely surpassing the prior October, constrained by high domestic prices, an appreciating dollar, and competition from other pork producing

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countries. Compared to the same period last year, sizable increases in shipments of about 30.1% to Korea and 21.2% to China and Hong Kong, are more than offset by 33.2% weaker exports to Australia and other decreases to parts of Latin America. As such, 4<sup>th</sup> quarter exports are estimated to be 1.675 billion pounds, or 1.4% greater than a year ago, bringing the total for 2022 to 6.3 billion pounds, or about 10% below the 2021 level. For 2023, pork exports are forecast to be about 4.2% above year ago levels for the 1<sup>st</sup> quarter and around 1.5% and 3.9% lower for the 2<sup>nd</sup> and 3<sup>rd</sup> quarters with total exports for the year anticipated to be almost 1% lower.

Overall, there is reason to be optimistic about hog prices. The forecast presented here is for the national weighted average net price on a carcass basis for all transactions for producer-sold barrows and gilts, including negotiated and contract prices. This net price should be more reflective of what producers receive, on average, and often runs at a premium of more than \$2/cwt over the base price on average. However, from October through December, this net price averaged \$83.72/cwt compared to \$89.16/cwt for the corresponding net prices for negotiated or spot transactions.

In general, hog prices tend to be higher in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter, with lower prices in the 1<sup>st</sup> and 4<sup>th</sup> quarters. Consistent with that pattern, this forecast places 1<sup>st</sup> quarter prices at about \$90.04/cwt, rising to \$101.09/cwt and \$105.06/cwt by the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, respectively, before dropping to \$91.72/cwt for the 4<sup>th</sup> quarter. The projected prices are similar to last year, given expectations for only slightly higher domestic demand, a 1% drop in export demand, and similarly marginal increases in the breeding herd and farrowing intentions. Of course, if demand is lower or if hog supply turns out to be greater than anticipated, then lower prices may be realized.

**YouTube Video:** Discussion and graphs associated with this article at <https://youtu.be/rIbOfL3VI4w>

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