



Slightly More Hogs but Fewer Farrowings?

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The USDA's March *Hogs and Pigs* report places the March 1 inventory of all hogs and pigs at 72.86 million head, down about 2% from a revised estimate for last quarter, and up just 0.2% from a year ago, consistent with pre-report expectations. The market hog inventory is also about 0.2% larger than a year ago, while the breeding herd is up nearly 0.5%, both again as expected. The number of market hogs weighing over 180 pounds is 2% greater than at the same time last year, while inventories for each of the lighter weight classes are down modestly. Overall, the number of hogs weighing less than 180 pounds is just 0.2% below last year at this time, and these will be the market hogs arriving at processing plants from April to August.

With a slight decrease in sows farrowed (-0.31%) offset by a modest increase (0.64%) to a new record of 11.01 pigs per litter for the period, the December-February pig crop is just fractionally larger than a year ago (0.34%), below pre-report expectations ranging from 0.5% to 2.0% greater. Market hogs from this pig crop will arrive at processors from June to August. Relative to actual farrowings last year, spring and summer farrowing intentions are down by about 1.25% and 2.91%, both also below the range of pre-report expectations, which should imply somewhat smaller slaughter numbers in subsequent periods. Given that spring farrowing intentions are now 1.71% lower than in the December report, which hinted at cautious expansion, producers now appear more hesitant to do so.

Cold stocks of meat are generally improving but have not reached pre-pandemic levels. According to the USDA cold storage report, cold stocks of pork on February 28 are up nearly 0.5% from the previous month and almost 9% from a year ago. Poultry stocks are up 3% from the prior month and 10% from last year, while beef is down 6% from the prior month, as well as from a year ago.

The USDA revised forecasts of U.S. per capita pork consumption in 2023 down by about a pound per person from its December projection of 52.1 pounds to now just to 51 pounds per person. The December estimate would have been a return to pre-pandemic levels in 2019, with the current forecast just slightly lower than last year, reflecting potential constraints of inflation and rising interest rates on consumer spending.

On a more positive note, the U.S. exported 556 million pounds of pork in January, or about 9% more than in January last year. Increasing shipments to China and Hong Kong by 35%, Japan by nearly 10%, and

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Canada by 21% contributed to the growth, but exports to Mexico, spurred by appreciation of the peso against the dollar, accounted for about 41% of January pork exports.

The USDA estimates total U.S. pork exports for the 1st quarter of 2023 to be 1.6 billion pounds, or about 4% above last year. Second and 3rd quarter U.S. pork exports are anticipated to be about 0.5% and 2% lower than the prior year, respectively, with 4th quarter exports landing almost 1% lower. Hence, while pork exports are starting off strong, they are anticipated to weaken some.

Taking all of this into account, the outlook is fairly bearish for the near-term with more potential for optimism in the latter half of 2023. 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 normally runs at a premium of about \$2/cwt over the base price on average. From December-February, this net price averaged \$80.21/cwt compared to \$75.02/cwt for the corresponding net prices for negotiated or spot transactions.

In general, hog prices tend to be higher in the 2nd and 3rd quarters, with lower prices in the 1st and 4th quarters. Accordingly, prices are forecast to rise from the average of \$80.18/cwt observed in the 1st quarter of 2023 to \$89.12/cwt and \$94.11/cwt in the 2nd and 3rd quarters, respectively, before falling to \$86.03/cwt for the final quarter of 2023 and then to \$85.69/cwt for the 1st quarter of 2024. These projections are consistent with the softening of demand and greater supply currently anticipated in the near-term, which may reverse somewhat in the latter half of the year. However, if actual farrowings exceed spring and summer intentions indicated by this Hogs and Pigs report or if exports decrease more than anticipated, then lower prices may be realized. Conversely, if producers refrain from expansion and exports hold up, then prices could improve.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/0pzgMjCvb-U>

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