



Record Pigs per Litter Offsets Cuts to Farrowings

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The USDA's September *Hogs and Pigs* report places the September 1 inventory of all hogs and pigs at 74.3 million head, up 2.2% from last quarter and 0.26% from last year—an ever so slight surprise, given pre-report estimates that it was 0.2 to nearly 1.9% lower. Much of the surprise reflects market hogs, which the USDA pegs at 0.4% higher compared to trade expectations again ranging from unchanged to nearly 1.9% lower, as they agree on a roughly 1% smaller breeding herd.

All weight classes of market hog inventories come in a bit above average pre-report expectations, with the lighter classes accounting for most of the unanticipated market hogs. Only the under-50-pound class lands above the anticipated range, up slightly from last year and 1.6% more than the average pre-report estimate. All other weight classes are within pre-report expected ranges. Overall, compared to a year ago, there only 0.4% more hogs weighing under 180 pounds, which will be the market hogs arriving at processing plants from October 2023 through February 2024.

The modest increase in lighter weight-class hogs partly reflects that the June-August pig crop is also just less than a half a % larger than last year—compared expectations ranging 0.8% to 2.1% lower—with about 3.7% fewer sows farrowed more than offset by a record 11.61 pigs saved per litter or 4.3% more than were saved in the same period last year. Hence, onward marches the ever upward trend in pigs per litter. The barely larger pig crop should lead to marginally larger slaughter this winter. Farrowing intentions for the fall and winter, respectively, are down 5.2% and 1.4% from the prior year, which along with trend pigs per litter, suggests lower spring and potentially higher summer slaughter levels than a year ago.

Cold stocks of pork have rebounded and even resumed seasonal patterns; though, still have not returned to average pre-Covid-pandemic levels. According to the USDA's *Cold Storage* Report, cold stocks of pork on August 31 are up up 0.07% from the previous month but down nearly 13% from a year ago. Beef stocks are up 3% from last month but down 18% from last year, while poultry stocks are down 0.25% from last month but up 1% from a year ago.

In light of tight supplies, domestic inflationary pressures, and export demand, the USDA has revised forecasts of U.S. per capita pork consumption downward to 49.8 pounds per person in 2023 and 2024, which is the lowest it's been since 2015. The U.S. exported 505 million pounds of pork in July, or about 4% more than in July of 2022. Much of the growth reflects greater exports to Canada (13%) and Mexico

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(11%), while declines occurred in major Asian markets like South Korea (-25%), China and Hong Kong (-14%), and Japan (-8%). Accordingly, the USDA lowered prior estimates for U.S. pork exports to 1.6 and 1.8 billion pounds, respectively, in the 3rd and 4th quarters of 2023, which are still 2.4% and 7.1% above year ago, raising annual exports by 7.2% over last year. Annual pork exports are forecast to rise 1.5% to 6.9 billion pounds in 2024.

Taking all of this into account, prices over the next four quarters seem unlikely to exceed current costs of production around \$99/cwt. 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 averages a premium of more than \$2/cwt over the base price, and for the period from July through September averaged \$96.23/cwt compared to \$92.53/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. Consistent with that pattern, prices are forecast to drop to an average of \$81.00/cwt for the 4th quarter of 2023. For 2024, prices are forecast to average \$80.60/cwt in the 1st quarter and then rise seasonally to \$90.20/cwt and \$97.09/cwt in the 2nd and 3rd quarters. However, if current gains in pigs per litter do not persist to offset intended cuts to farrowings, then higher prices may be realized.

YouTube Video: Discussion and graphs associated with this article at https://youtu.be/VkRO_P3FG4o

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