



## Record Pigs per Litter again Offsets Cuts to Farrowings

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The USDA's December *Hogs and Pigs* report places the December 1 inventory of all hogs and pigs at 74.97 million head, up 0.88% from last quarter and 0.02% from last year, compared to an average trade expectation of 0.6% lower (ranging from 1.7% lower to 0.6% higher). The slightly higher total is driven by a nearly 0.3% year-over-year increase in market hogs, which is toward the upper end of pre-report estimates, while the breeding herd declined a surprising 3.3% from the prior year, falling below the expected range of 1.7% lower to 0.6% higher). The lightest two weight classes of market hogs are each down about 0.5% compared to last year, though not as much as expected (1.2% and 0.8% lower for hogs under 50 pounds and 50-199 pounds, respectively), while the heavier two weight classes are up more than expected, with the over-180-pound class nearly 2.5% higher compared to expectations of about 1% higher. Overall, there are 0.17% 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 2024, suggesting similar supplies as last year for the period, despite expectations for greater pullback.

The smaller than expected decline in lighter weight hogs partly reflects that the September-November pig crop is only 0.24% smaller than last year, as a 4.0% cut in sows farrowed was again largely offset by another record 11.66 pigs saved per litter, continuing the upward trend in pigs per litter. Hence, cuts to farrowings intended to reduce the fall pig crop and translate into corresponding reductions in spring slaughter, do so to a lesser extent than expected without the productivity gains. Meanwhile, winter and spring farrowing intentions are each down about 1.76% and 1.16% respectively from actual farrowings last year, indicating further intentions for industry contraction.

Cold stocks of pork remain well below pre-Covid-19 pandemic levels. According to the USDA cold storage report, cold stocks of pork on November 30 are down 5% from the prior month and 8% from a year ago. Meanwhile, poultry stocks are down 8% from the prior month but up 3% from a year ago, while beef is up 2% from the prior month but down 13% from last year.

The USDA estimates U.S. per capita pork consumption at 50.2 pounds per person for 2023, and forecasts the number rising to 50.6 pounds per person in 2024, well below the pre-COVID-19 level of 52.1 pounds per person in 2019.

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The U.S. exported 572 million pounds of pork in October, or about 6% higher than the prior October. About 64% of October shipments went to the Western Hemisphere, with 41% going to Mexico, or about 16% more than over the same period a year ago. Meanwhile, U.S. pork exports for the period are around 43% lower to China and Hong Kong and almost 11% lower to Japan than a year ago, with the U.S. and E.U. losing share of the Japanese market to Canada and Brazil. As such, 4<sup>th</sup> quarter exports are estimated to be 1.760 billion pounds, or 4.4% greater than a year ago, bringing the total for 2023 to 6.75 billion pounds or about 6.4% above the 2022 level. For 2024, relative to year ago levels, pork exports are forecast to be about 3.4% higher for the 1<sup>st</sup> quarter, 2.1% lower for the 2<sup>nd</sup> quarter, 3.7% higher for the 3<sup>rd</sup> quarter, and 1.4% higher for the fourth quarter, with total exports for the year anticipated to be almost one and a half percent higher.

Overall, the outlook for hog prices remains bearish for at least the near-term. 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. From October through December, this net price averaged \$76.56/cwt compared to \$65.13/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 \$72.72/cwt, rising to \$86.43/cwt and \$92.54/cwt by the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, respectively, before dropping to \$79.55/cwt for the 4<sup>th</sup> quarter. These projections reflect anticipated marginal declines in domestic and export demand and supplies based on reported producer farrowing intentions. If demand erodes further or farrowing cuts continue to be mostly offset by gains in pigs per litter, then even lower prices may be realized.

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