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## More of the Same: Productivity Gains again Offset Cuts to Farrowings

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The USDA's June *Hogs and Pigs* report places the June 1 inventory of all hogs and pigs at 74.5 million head, up 0.22% from last quarter and 1.27% higher than a year ago, close to pre-report expectations of 1.2% (ranging 0.4% to 1.7%) higher. Likewise, market hog inventories are up 0.25% from last quarter and 1.68% higher than a year ago, again close to pre-report expectations of 1.5% (ranging 0.7% to 2%) higher. Meanwhile the breeding herd is down 0.13% from last quarter and down 3.19% from last year, just below the bottom end of the range of pre-report expectations of 1.5% to 3.0% (2.3% on average) lower. In contrast, the March through May pig crop, at 1.82% higher than last year, comes in a bit above the upper end of the range of pre-report expectations of 0.90% to 1.60% (1.3% on average) higher.

All categories of market hog inventories are up compared to a year ago, with the under 50 pound and 50-119 pound classes up 1.4% and 1.2%, respectively, while the 120-179 pound class and those over 180 pounds are up 2.0% and 2.5%, respectively. Overall, the number of hogs weighing less than 180 pounds is about 1.5% larger than a year ago, which will be the market hogs arriving at processing plants from July through November 2024.

The year over year increase in lighter weight hogs partly reflects the larger March through May pig crop. The latter results from a continued trend of growth in pigs per litter, here 1.76% higher than a year ago, outpacing reductions to farrowings at just 0.10% lower. Summer and fall farrowing intentions are down 2.53% and 0.57% from actual farrowings last year, suggesting producer restraint from expansion. Such lower farrowing intentions historically would imply somewhat smaller slaughter numbers in subsequent periods, but to what degree will also depend on the pigs saved per litter.

Frozen stocks of meat remain below recent years. According to the USDA cold storage report, cold stocks of pork at the end of May are down 3% from the previous month and 9% from a year ago. Poultry stocks are up 3% from the prior month but down 5% from a year ago, while beef is down 3% from the prior month and just 0.5% from a year ago.

The USDA forecasts U.S. per capita pork consumption at 50.6 pounds per person in 2024, falling to 50.3 pounds per person in 2025, reflecting continued concerns for consumer purchasing power in the face of inflation, the availability of pork, and strong export demand.

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The U.S. exported 656 million pounds of pork in April, or about 13% more than in April of 2023, 38% of which went to Mexico—a 30% year over year increase—reflecting low bone-in ham prices and the strength of the peso. Despite appreciation of the U.S. dollar against currencies of other trade partners, U.S. pork exports have remained competitive against EU exports, and were also up year over year by 28% to Australia, 24% to South Korea, and 5% to Japan. Based on April data, the USDA raised forecasted 2<sup>nd</sup> quarter pork exports by 100 million pounds to 1.93 billion pounds, or 8.2% higher than last year, and forecasts the 3<sup>rd</sup> and 4<sup>th</sup> quarters to be 9.5% and 6.4% higher, respectively, placing the 2024 total at 7.4 billion pounds or about 8.0% above last year. The 1<sup>st</sup> quarter of 2025 is forecast to be 1.91 billion pounds or about 6.0% higher than in the 1<sup>st</sup> quarter of 2024.

Along with the resulting outlook for hog prices, at least producers have hope for lower feed costs with the possibility of higher corn production based on the USDA's June acreage report. 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 more than \$2/cwt over the base price on average. From March through May, this net price averaged \$88.33/cwt compared to \$85.49/cwt for the corresponding net prices for negotiated or spot transactions.

As hog prices tend to be seasonally higher in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters than in the 1<sup>st</sup> and 4<sup>th</sup> quarters, this price series is forecast to average \$92.61/cwt for the 3<sup>rd</sup> quarter of 2024, falling to \$77.24/cwt by the 4<sup>th</sup> quarter and \$77.36/cwt for the 1<sup>st</sup> quarter of 2025, before rising to \$88.83/cwt for the 2<sup>nd</sup> quarter of 2025. These projections are consistent with the supply and demand scenario currently anticipated. However, if greater production occurs or if demand softens, lower prices may be realized.

**YouTube Video:** Discussion and graphs associated with this article at <https://youtu.be/XjZF2ZJ3z9o>

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