



Hog Inventory Down but Breeding Herd Up from Last Quarter

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The USDA's [June Hogs and Pigs report](#) places the June 1 inventory of all hogs and pigs at 72.5 million head, down just slightly from last quarter and almost 1% lower than a year ago, consistent with pre-report expectations. Likewise, and as expected, market hog and breeding inventories are both down about 1% from a year ago, with market hogs down 0.25% from last quarter and breeding inventories over 1% higher.

Each class of market hog inventories is also down compared to the same time last year, with the lightest weight class down the most, at 1.3% lower. Overall, the number of hogs weighing less than 180 pounds is about 0.9% smaller than a year ago, which will be the market hogs arriving at processing plants from July through November 2022.

The decline in lighter weight hogs partly reflects that the March through May pig crop is also 1% smaller than last year, as anticipated, with about 1.4% fewer sows farrowed and about 0.5% more (11.00) pigs saved per litter. Looking forward, summer and fall farrowing intentions are down 0.5% and 1.4% from actual farrowings last year. These numbers should similarly imply somewhat smaller slaughter numbers in subsequent periods.

Frozen stocks of pork are rebounding but have not yet reached pre-Covid 19 levels. According to the USDA cold storage report, cold stocks of pork at the end of May are up 2% from the previous month and 17% from a year ago. Poultry stocks are also up 2% from the prior month and 1% from a year ago, while beef is down 2% from the prior month but up 25% from last year. Though the numbers are somewhat bearish for pork, there still appears to be plenty of room for growth in cold stocks.

The USDA forecasts U.S. per capita pork consumption at 51.1 pounds per person in 2022, rising to 51.7 pounds per person in 2023, matching the highest it's been since prior to COVID-19, when it reached 52.1 pounds in 2019. Hence, strong domestic demand is expected to persist.

The U.S. exported 529 million pounds of pork in April, or about 19% less than in April of 2021. Much of the drop reflects continuously lower shipments to China and Hong Kong year over year since December 2020, with China's rebound from African Swine Fever. With lower exports to China, exports to Mexico, which were 20% higher, comprised 35% of U.S. pork exports in April. The USDA estimates U.S. pork exports in the 2nd quarter of 2022 to be 1.6 billion pounds, or 15% lower than last year, and forecasts the last two quarters of 2022 to be 3.5% and 12.5% higher, respectively, placing the total for 2022 6% below

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last year. The 1st quarter of 2023 is forecast to be 1.5 billion pounds, about the same as in the 1st quarter of 2022.

Taking all of this into account, hog prices are forecasted for the next four quarters. 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. Although contract prices often exceed cash prices, from March-May, this net price averaged \$100.34/cwt compared to \$105.67/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, this price series is forecast to average about \$103.78/cwt for the 3rd quarter of 2022, falling to \$91.70/cwt by the 4th quarter and \$92.59/cwt for the 1st quarter of 2023, before rising to \$101.47/cwt for the 2nd quarter of 2023. These projections are consistent with the supply and demand scenario currently anticipated. However, if greater production is realized or if export demand softens, prices may be lower.

YouTube Video: Discussion and graphs associated with this article at https://youtu.be/n0sQ8G_8arg

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