



Still Lower Inventories with No Intentions to Expand

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The USDA’s September Hogs and Pigs report places the September 1 inventory of all hogs and pigs at 73.8 million head, up about 1.8% from last quarter but down 1.4% from last year and just below the pre-report expected range of 0.4% to 1.2% lower. The lower than anticipated inventory basically reflects that market hog and breeding herd inventories, respectively, are 1.5% and 0.6% lower than a year ago, compared to average pre-report expectations of 0.5% (range of -1.0% to +0.5%) and 0.8% (range of 0.5% to 1.3%) lower.

Each class of market hog inventories is down compared to the same time last year. The number of hogs in the heaviest two weight classes of 120-to-179-pounds and over-180-pounds are down 1.2% and 1.5%, respectively from a year ago. The somewhat smaller number of heavier weight-class hogs, which will soon head to slaughter, may help somewhat to temper seasonal price declines this fall. Looking further out, the under-50-pound and 50-to-119-pound classes both come in 1.6% lower than last year. Overall, compared to a year ago, there are now 1.5% fewer hogs weighing less than 180 pounds, which will be the market hogs arriving at processing plants from October 2022 through February 2023.

The decline in lighter weight-class hogs partly reflects that the June-August pig crop is 1% below last year—just below the range of pre-report expectations—with about 1% fewer sows farrowed and 11.13 pigs saved per litter—identical to the litter rate in the same period last year. With annual averages of 11.03 and 11.06 pigs per litter in 2020 and 2021, respectively, the number remains on pace with the upward trend observed over the last decade. The smaller pig crop should imply a similarly smaller slaughter this winter. Farrowing intentions for the fall and winter, respectively, are down 2.5% and 0.6% from the prior year, which suggests that slaughter levels in subsequent periods aren’t in danger of getting much above year ago levels.

Cold stocks of pork have rebounded well, though, still have not returned to average pre-pandemic levels. According to the USDA’s Cold Storage Report, cold stocks of pork on August 31 are up 1% from the previous month and 17% from a year ago. Beef stocks are up 1% from last month and 24% from last year, while poultry stocks are up 2% from last month and 11% from a year ago.

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The USDA forecasts U.S. per capita pork consumption at 51.3 pounds per person in 2022, with the number rising to 52.2 pounds in 2023, which would be the first time its exceeded 52 pounds per person since COVID-19. Hence, domestic demand appears to be steady to higher.

Looking to the world market, the U.S. exported 484 million pounds of pork in July, or about 5% lower than in July of 2021. The story is the same as it has been for much of 2022, with positive exports to most countries that have free trade agreements with the U.S. except for Canada, which is down 21% from July of last year, and appreciation of the dollar contributing to generally lower exports to much of Asia except for South Korea, which is up 12% from July of last year.

Based on expectations of continued lower demand from major importing countries, the USDA estimates U.S. pork exports to be 1.53 and 1.82 billion pounds, respectively, in the 3rd and 4th quarters of 2022, bringing the total for the year to 6.495 billion pounds or about 8% below last year. Slightly higher pork exports of 6.515 billion pounds are forecast for 2023.

All-in-all, there is reason for optimism about hog prices. 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, but for the period of high prices from June through August averaged \$110.86/cwt compared to \$123.68/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 \$92.85/cwt for the 4th quarter of 2022, reflecting a balancing of expectations for both lower supplies and exports for the near-term. For 2023, prices are forecast to average \$91.19/cwt in the 1st quarter and then rise seasonally to \$99.41/cwt and \$101.28/cwt in the 2nd and 3rd quarters. However, if supplies prove larger than anticipated or exports continue to soften, lower prices may be realized.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/-P3LKxQSiBI>

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