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March Madness: Hogs & Pigs Report Busts Experts' Brackets!

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The USDA's March *Hogs and Pigs* report holds some bullish albeit mostly modest surprises, as most statistics are smaller than a year ago and below pre-report expectations of unchanged to higher. The March 1 inventory of all hogs and pigs is 74.5 million head, down about 0.5% from last quarter and almost 0.24% below a year ago, compared to pre-report estimates averaging 1.2% higher. The market hog inventory is also about 0.2% smaller than a year ago compared to expectations it would be 1.1% larger, while the breeding herd, which was expected to be up 0.2%, is 0.6% lower. The number of market hogs weighing over 180 pounds is 0.5% higher than at the same time last year, while inventories for each of the lower weight classes are each down between 0.3% and 0.4% from a year ago. Overall, the number of hogs weighing less than 180 pounds is down about 0.4% from this time last year, and these will be the market hogs arriving at processing plants from April to August.

The small decrease in lighter weight hogs partly reflects that December through February pig crop is down 0.2% from a year ago, compared to expectations it could be 2.0% higher, as a 1.3% decrease in sows farrowed is again mostly offset by another record 11.65 pigs per litter for the period or 1.0% more than a year ago. A recent *farmdoc daily* article demonstrates that pigs per litter has been consistently rising over the last 30 years in a predictable manner akin to trend yields for row crops. Using the same approach, the estimated trend implies an annual growth rate of 0.11 pigs per litter or 1.1% per year from 1994 to 2023. Given international statistics, the U.S. trend seems likely to continue, as at least eight countries attain greater than 13 pigs per litter with Denmark achieving over 15 pigs per litter in 2022. Market hogs from the December through February pig crop will arrive at processors from June to August. Farrowing intentions are down 2.4% for spring but up 1.6% for summer relative to a year ago, which should imply corresponding effects for slaughter numbers in subsequent periods.

Cold stocks of meat remain low. According to the USDA cold storage report, cold stocks of pork at the end of February are up 4% from the previous month but down 8% from a year ago. Beef is down 6% from the prior month and 2% from last year, while poultry stocks are up 2% from the prior month but down 3% from a year ago.

U.S. per capita pork consumption has been trending downward since 2019 with the USDA estimating it to hold at 49.9 pounds per person in 2023 and 2024 and forecasting it to rise slightly to 50.7 pounds per person in 2025.

Pork exports this January totaled 577 million pounds, 2% below a year earlier, partly due to higher U.S. pork prices and appreciation of the US dollar. The lower total for the month partly reflects small declines in exports to Canada, Colombia, and the Dominican Republic, but mostly larger declines in exports to Japan and South Korea that were partly offset by higher exports to China and Hong Kong. Despite the slow start, which prompted a reduction in USDA forecasts for each quarter of 2025, exports remain a bright spot with levels still anticipated to exceed last year. Estimates place 1st quarter pork exports at 1.8 billion pounds or 0.1% below last year, with annual increases of 1.4% in the 2nd quarter and 2.3% for both the 3rd and 4th quarters, respectively. Overall, U.S. pork exports in 2025 are anticipated to be 1.5% higher than in 2024.

As feed costs are a primary component of hog production, the hog-to-corn price ratio is a historical indicator of hog profitability and cyclical changes in production. Target levels have evolved over time, reflecting the declining feed cost share of total hog production costs relative to other components, such as buildings, equipment, and labor. Profitable levels are considered above average ratios of 14-to-1 in the 1950s to early 1960s, 18-to-1 in the late 1960s to mid-1980s and more recently around 20-to-1 (for instance, \$80/cwt hogs ÷ \$4/bu corn = 20). Historically, upward and downward moves in the price ratio tend to precede similar changes in farrowings and subsequent hog herds, as producers expand and contract their operations in response to profitability. For the last three quarters of 2024, the hog-to-corn price ratio exceeds 20, which is consistent with Iowa State University economists' findings of better than anticipated profits over the last year and is sparking contemplation of herd expansion. However, the hog-to-corn price ratio just rounds up to 20 for the first quarter of this year, and with 2023 being the worst year on record for hog profitability, more financial healing seems necessary to spur herd expansion.

Taking all of this into account, the outlook remains positive for hog producers in 2025. 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 about \$2/cwt over the base price on average. From January through March, this net price averaged \$85.99/cwt compared to \$85.49/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. Accordingly, prices are forecast to rise from the 1st quarter average of \$85.99/cwt to \$92.61/cwt and \$94.66/cwt in the 2nd and 3rd quarters, respectively, before falling to \$81.41/cwt for the final quarter of 2025 and then to \$80.50/cwt for the 1st quarter of 2026. These projections are consistent with the supply and demand scenario currently anticipated. However, if actual farrowings exceed spring and summer intentions indicated by this Hogs and Pigs report or if potential tariffs hinder export demand, then lower prices may be realized. Conversely, if producers refrain from expansion and domestic and export demand remain strong, then prices could improve.

References

Langemeier, M. "Long-Term Trends in Pigs per Litter." *farmdoc daily* (14):199, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 1, 2024.

YouTube Video: Discussion and graphs associated with this article at: https://youtu.be/Lcvp4GOmhBk

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