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Bearish Market Hog Inventories and Farrowing Intentions

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The USDA's December *Hogs and Pigs* report places the December 1 inventory of all hogs and pigs at 75.5 million head, up 0.3% from last quarter and 0.6% year-over-year, compared to an average trade expectation of about 1% lower. The increase is driven by a 0.8% year-over-year increase in market hogs, also expected to be 0.9% lower, while the breeding herd decreased by 0.9% from the prior year, compared to expectations of 1.2% lower. Still, that's the smallest December 1 breeding herd since 2014.

The 180-pound-and-over weight class of market hogs is up 2.8% from a year ago, compared to expectations of just 0.5% higher, while the 120-to-179-pound group is up about 0.6%, which places some downward pressure on near-term prices; though much of the heaviest class has already gone to slaughter. The under-50-pounds and 50-to-119 pounds weight classes, respectively, are up 1.0% and down 0.9%, from last year. Still, there are just 0.3% more hogs weighing under 180 pounds than a year ago, compared to expectations of 1.2% lower, which will arrive at processing plants from January to May 2026, implying similar supplies as last year for the period overall.

The unanticipated increase in inventory of the lightest category of market hogs stems from the unexpectedly higher September-November pig crop, up 0.4% from a year ago in contrast to expectations of 1.3% lower, reflecting a 0.3% increase in sows farrowed and a record 11.93 pigs-per-litter for the period just surpassing the prior record of 11.92 pigs-per-litter set last year and continuing the upward trend. While records are often hard earned, evidence from around the world suggests further productivity advancements are biologically feasible. The resulting greater than expected inventory of light-weight market hogs poses bearishly higher slaughter levels for April through June. Given that farrowing intentions for this winter are 1.9% higher than actual farrowings a year ago and those for spring are about 2.0% higher, respective slaughter levels should remain above last year from July through September and for the remainder of 2026. Overall, the numbers are consistent with USDA projections that 2026 pork production will be up just slightly at 0.05% above 2025 levels.

Cold stocks of pork remain low. According to the USDA *Cold Storage* report, cold stocks of pork on November 30 are down 1% from the prior month and 5% from a year ago. Meanwhile, poultry stocks are down 10% from the prior month and 4% from a year ago, while beef is up 3% from the prior month but down 3% from last year.

The USDA estimates U.S. per capita pork consumption at 49.1 pounds per person for 2025, and forecasts the number dropping to 48.9 pounds per person in 2026, well below prior highs of 52.1 pounds per person in 2019.

In the latest available data, given government shutdowns, the U.S. exported 543 million pounds of pork in August or about 3% below the prior August. Mexico accounted for about 41% of those shipments, around 3% more than a year ago. Although South Korea took 20% more shipments during the period than a year ago, fewer shipments went to other major buyers with Japan around 10% lower, Canada at 17% lower, and China and Hong Kong about 23% lower than a year ago. Based on this weakness, U.S. pork exports are estimated to be 2.2% and 2.5% lower than last year for the 3rd and 4th quarters of 2025, bringing the annual total to 6.97 billion pounds or 2.1% below 2024. With prospects for slightly higher pork production and lower prices in 2026, U.S. pork exports year-over-year are predicted to be down just 0.2% in the 1st quarter but up 1.8% in the 2nd quarter, 0.6% in the 3rd quarter, and 0.5% in the 4th quarter, bringing the annual total to 7.02 billion pounds or about 1% more than in 2025.

Hog and pork production typically cycles with profitability, or lack thereof, respectively spurring expansion or contraction. Given the importance of feed costs, a hog-to-corn price ratio around 20-to-1 (for instance, \$80/cwt hogs ÷ \$4/bu corn = 20) is a historical rule-of-thumb indicator of hog profitability, resultant increases in farrowings, and subsequent hog herds. Despite a string of 19 consecutive profitable months, as documented by Iowa State University, and hog-to-corn price ratios exceeding 20 for much of that period, the breeding herd still hasn't expanded, and as noted earlier, is the smallest for this time of year since 2014. Such restraint seems sensible, with anticipation of continued productivity advancements in pigs-per-litter and the hog-to-corn price ratio currently hovering between 18 to 19 for November and December. Hence, projected increased farrowings and pork production will require intensive and efficient use of the existing breeding herd (i.e., better conception rates and less sow loss to achieve more litters per sow). Ratios of consecutive hog and corn futures contract prices quoted last Friday remain below 20 until May and stay above that level until dropping sharply lower in the fall, suggesting better profitability in the 2nd and 3rd 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 often runs at a premium of more than \$2/cwt over the base price on average. From October through December, this net price averaged \$87.75/cwt compared to \$84.01/cwt for the corresponding net prices for negotiated or spot transactions.

With slightly more hogs than a year ago, prices should mostly be near or a bit below year ago levels. In general, hog prices tend to be higher in the 2nd and 3rd quarter, with lower prices in the 1st and 4th quarters. Consistent with that pattern, this forecast places 1st quarter prices at about \$85.43/cwt, rising to \$95.66/cwt and \$97.17/cwt by the 2nd and 3rd quarters, respectively, before dropping to \$83.21/cwt for the 4th quarter. These projections balance anticipated marginal growth in supplies with declining domestic demand and increasing exports after the 1st quarter. If demand erodes further or actual increases in farrowings and pigs per litter surpass expectations, then lower prices may be realized.

YouTube Video: Discussion and graphs associated with this article at: https://youtu.be/17nEQcbuZ5U

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