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Managing the Herd: Balancing Anticipated Productivity with Softening Demand

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The USDA's September Hogs and Pigs report places the September 1st inventory of all hogs and pigs at 74.3 million head, up 1.60% from revised estimates for last quarter but down 1.51% from a year ago. Likewise, market hog inventories are up 1.75% from last quarter but down 1.55% from a year ago, while the breeding herd is down 0.08% from last quarter and 1.03% lower than last year. The lower overall inventory is mostly driven by fewer market hogs, with both landing at the lower end of the range of pre-report estimates, while the breeding herd hit closer to expectations, reaching its lowest level since September 2014.

Inventories for every weight class of market hogs are down roughly 1.5% each relative to last year. Accordingly, there are 1.5% fewer hogs weighing under 180 pounds than a year ago, which will be the market hogs arriving at processing plants from October 2026 through February 2027.

The decline in lighter weight hogs, in particular, reflects that the June-August pig crop is also 1.5% smaller than last year, in contrast to an average expectation of only 1.0% lower, with about 2.7% fewer sows farrowed partly offset by another record for the quarter of 11.96 pigs saved per litter. Farrowing intentions are 1.8% lower for the fall and 2.1% higher for the winter than actual farrowings last year, implying respectively lower and higher slaughter levels in the following spring and summer.

The USDA's Cold Storage Report indicates that cold stocks of pork on August 31 are up 12% from a year ago, though down 1% from the prior month. Beef stocks are up 2% from the prior month and 5% from last year, while poultry stocks are down 1% from the prior month and 4% from a year ago.

The USDA projects U.S. per capita pork consumption to be 49.4 pounds per person in 2026 and rise to 49.9 pounds in 2027, notably below the peak exceeding 52 pounds in 2019. The U.S. exported 529 million pounds of pork in July, or 5% less than the prior July. Among regular customers, lower shipments to Mexico (-2%), South Korea (-30%), and China and Hong Kong (-8%) were not fully offset by increased exports to Japan (+11%) and Canada (+2%) and a few smaller buyers, partly reflecting increased domestic production in Mexico with recovery from disease problems and increased competition from EU pork exports into South Korea. Accordingly, USDA projections for pork exports are lowered to 1.64 and

1.88 billion pounds for the 3rd and 4th quarters or, respectively, about 0.5% below and 1.5% above a year ago, dropping annual exports to 7.11 billion pounds or 2% above last year. Annual pork exports are forecast to rise just 1.1% to 7.19 billion pounds in 2027.

With projections for domestic and export demand revised lower, hog prices will likely fall well short of year ago levels, with producer profitability squeezed by prospects of higher feed costs. 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, and for the period from July through September averaged $93.70/cwt compared to $97.21/cwt for 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 $78.52/cwt for the 4th quarter of 2026. For 2027, prices are forecast to average $79.33/cwt in the 1st quarter and then rise seasonally to $86.92/cwt and $92.22/cwt in the 2nd and 3rd quarters. However, if greater than anticipated hog inventories are realized or if domestic or export demand soften more than expected, then lower prices may be realized. Alternatively, prices could edge higher if lower availability and higher price of beef results in substantial substitution effects.

YouTube Video: Discussion and graphs associated with this article at: https://youtu.be/EVvKKY8PhsY

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