

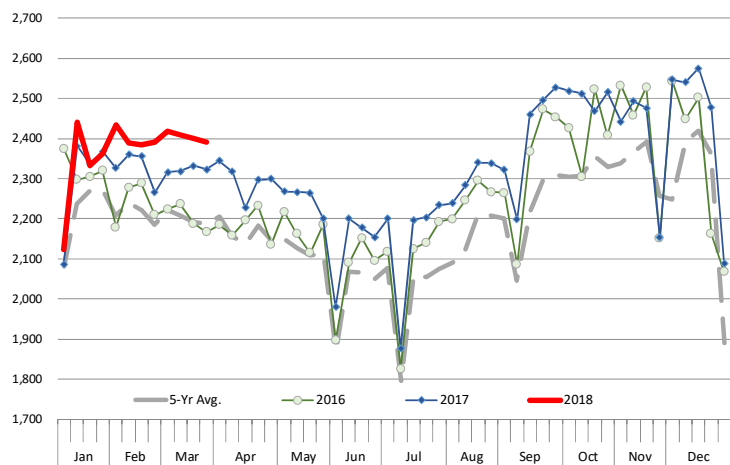
Is hog slaughter running ahead of the numbers implied by the December 'Hogs and Pigs' report? Based on the numbers we have seen in recent months the answer would be in the affirmative. In the latest USDA hog inventory survey, producers indicated that the Jun-Aug pig crop was 2.2% higher than the previous year. Slaughter numbers for Dec-Feb have been above that indication, with plenty of variance from month to month. Weekly slaughter in December averaged 2.421 million head, 5.5% higher than the previous year. January weekly slaughter was an average of 2.314 million, 0.9% higher than a year ago and February weekly slaughter was an average of 2.4 million, 3.1% higher than a year ago. **For the entire period weekly slaughter was an average of 2.378 million, 3.2% higher than a year ago, about 1% higher than the numbers implied by the survey.** So far March numbers have continued to track above the survey implied data. In the three weeks ending March 17 (Feb 25 - Mar 17), weekly hog slaughter has averaged 2.414 million head per week, 4% higher than a year ago. The increase is above the 3.2% pig crop growth that USDA noted for the Sep-Nov period but should not come as a surprise considering the track record of higher than expected supplies in recent months.

If there has been one constant in recent inventory surveys it is the tendency of producers to understate the supply of hogs in the pipeline. Time and again USDA has had to go back and adjust pig crop estimates higher in order to match up with the actual number of hogs that came to market. We have presented the second chart to the right before but it is instructive in showing the trend in farrowing estimates. Since 2016, the initial farrowing estimate has been consistently lower than the final number. Take the Jun - Aug farrowing estimate, these are basically the hogs that came to market during Dec-Feb of this year. Initially producers indicated that they expected farrowings for this period to be down 0.4% from the previous year, a somewhat curious indication since the breeding herd continued to expand. In the following report USDA made only a modest revision to this estimate and yet, when the final number was published the farrowings for Jun-Aug were up 1.5%. Add to this the 0.7% increase in pigs per litter and you get the +2.2% higher pig crop. And based on recent slaughter numbers, it appears USDA will have to go back and further increase that Jun-Aug crop number. Similarly, the initial estimate for the Sep-Nov farrowings was for zero growth. The second estimate indicated still a rather modest 0.8% increase while the final estimate presented last December pegged farrowings to be up 2.1% while the pig crop for the period was 3.2% higher.

We bring up this topic for two reasons. First, there has been some head scratching given the larger than expected slaughter numbers recently. It is important to consider that they are not really an aberration but follow a well established pattern of supplies in the ground surpassing

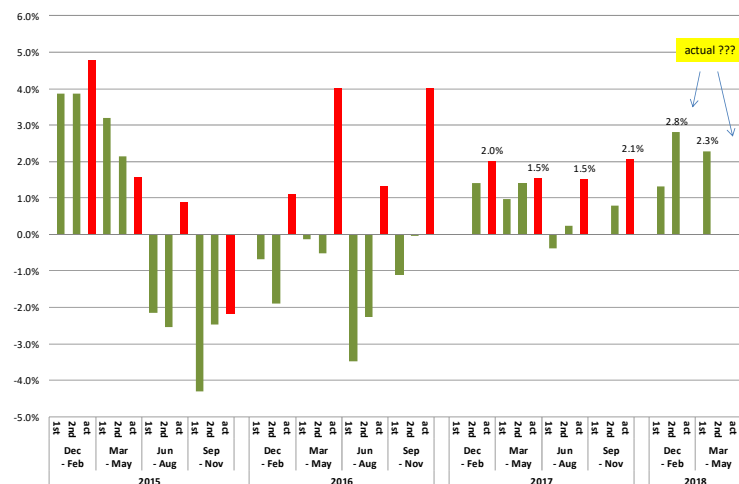
WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA

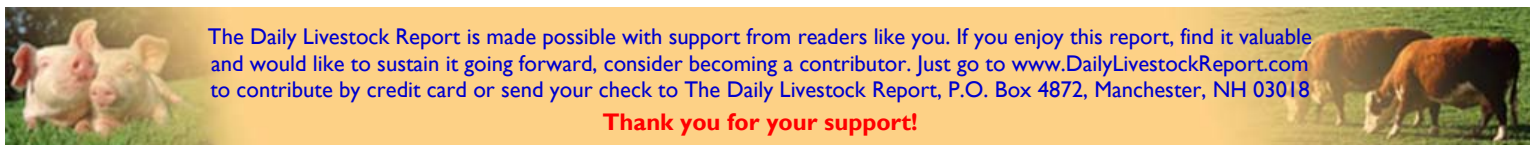


USDA Quarterly Survey: Farrowing Estimates

Data Reflects percent change from previous year in 1st, 2nd and final estimate



expectations. The second reason to bring this up is because of the upcoming quarterly hog inventory survey. USDA will release the numbers on March 29 (2PM CT) and participants will pay close attention to those farrowing estimate numbers and especially projections for the Mar-May pig crop. Pork supplies last fall were at all time record levels and so far it appears we could see slaughter during Sep-Nov at least 3% above year ago levels. And considering the recent track record of those farrowing estimates, that projection may be on the low end of the range.



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