

The **USDA 'Hogs and Pigs' report will be published on Thursday afternoon, 2PM CT** and could have a significant impact on futures on Friday morning. At this time hog futures have built significant forward premiums on speculation that a supply hole in China will drive global pork export demand. US pork production is expected to increase between 3.5% and 4%, depending on who you ask. In its latest report **USDA** revised down its estimates for US pork production in 2019 and now **expects commercial production to be 27.354 billion pounds, 3.8% higher than a year ago**. Analysts will pay close attention to the latest hog inventory survey results to validate such forecasts. On average, analysts expect the total number of hogs and pigs as of March 1 to be 2% higher than the previous year. This inventory includes the number of market hogs and breeding animals. The supply of market hogs is broken down in weight groups in order to understand when hogs may come to market and slaughter expectations through the spring and summer. In general the analyst estimates suggest hog slaughter in late spring and summer should run about 2% higher than a year ago. Weekly slaughter in May/June/July last year averaged around 2.217 million head/wk. A 2% y/y increase in weekly slaughter would imply slaughter during these three months to average around 2.26 million head compared to 2.48 million head average we have seen in the first three months of the year. Additionally, **hog carcass weights should be seasonally lower in June and July**. The extent of the carcass weight decline is partly weather dependent. Cash hog prices have jumped recently because the inflation outlook has dramatically shifted. When market participants expect lower prices it has the effect of pushing more hogs to market early as producers see more downside risk in the future while end users opt to sit on the sidelines since waiting can result in lower prices in the future. The result is a downward spiral in prices and February market was a case in point. As inflation expectations shift, producers become reluctant sellers while buyers try to accelerate purchases to avoid some of the future higher prices. The point here is that if China demand does indeed materialize this summer, it could have the effect of inducing producers to try and maximize the pounds of pork on the carcass during the summer months. This could help bolster pork production as hogs come to market at heavier weights while also pushing hog prices sharply higher during June and July.

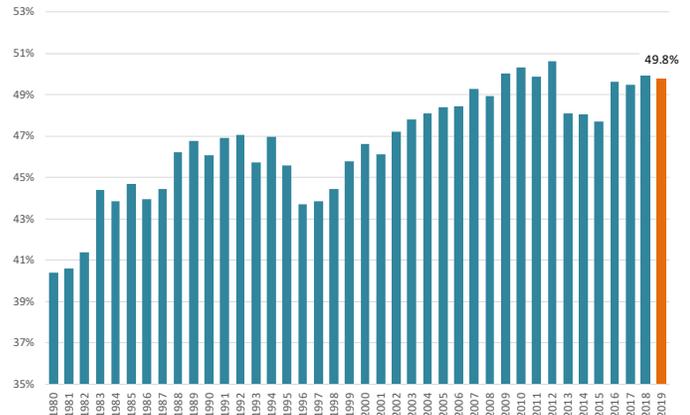
Market participants will pay close attention to the breeding herd in order to judge the potential for hog/pork production down the road. Analysts polled ahead of the report expect the breeding herd as of March 1 to be up 1.9% compared to a year ago and March-May farrowing intentions are expected to be 1.6% higher than the previous year. If analysts are correct, the farrowings during Mar-May would be around 3.150 million vs. a breeding herd of 6.328 million head, a ratio of 49.8%. This ratio would be consistent with recent history (see chart). Using the 1.6% increase in farrowings and a trend increase of pigs per litter of around 0.8% to 1% would result in a pig crop of roughly +2.5% compared to the previous year. This would imply a slaughter increase of roughly that amount during Sep-Nov. Weekly hog slaughter during Sep-Nov 2018 averaged around 2.475 million head/wk and, if analysts are correct, we should expect weekly hog slaughter this fall at an average of 2.54 million head.

USDA Mar. 1 Hogs and Pigs Results vs. Analyst Estimates

Percent of Year Ago. Source: Curt Thacker, Urner Barry

	USDA Actual	Analyst Avg.	Analyst Range of Estimates
All hogs and pigs on Mar 1		102.0	101.5 - 102.5
Kept for breeding		101.9	100.9 - 102.3
Kept for marketing		102.1	101.5 - 102.6
Dec - Feb pig crop		102.8	102.2 - 103.4
Dec - Feb pigs per litter		100.4	100.2 - 100.8
Dec - Feb farrowings		102.3	101.8 - 102.6
Mar - May farrowing intentions		101.6	101.5 - 101.7
Jun - Aug farrowing intentions		101.1	100.5 - 102.0
Hogs weighing under 50 lbs		102.0	101.0 - 102.6
Hogs weighing 50 to 119 lbs		101.9	101.0 - 102.7
Hogs weighing 120-179 lbs		102.1	101.3 - 102.8
Hogs weighing 180 and over		102.4	101.4 - 103.4

RATIO OF MARCH- MAY FARROWINGS TO MARCH 1 BREEDING HERD



The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to www.DailyLivestockReport.com to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The **Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.** To subscribe, support or unsubscribe please visit www.dailylivestockreport.com.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group®, CME® and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.