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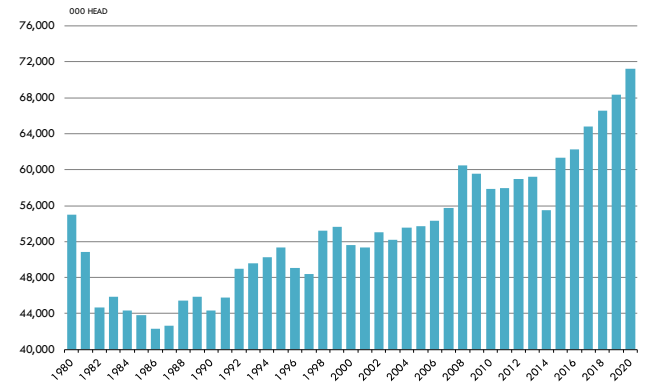
Takeaway from the quarterly USDA 'Hogs and Pigs' update: **Plentiful hog supplies through this spring and summer but a slowdown in the rate of growth for later this year and early 2021.** The overriding issue in the pork market at this time remains demand. Even as some inventory numbers are a bit lower than expected, they still point to record pork supplies at a time when domestic demand is highly uncertain and export demand continues to hinge on China purchases. The strong US dollar has also negatively impacted the export outlook to markets such as Mexico, Colombia, Australia, etc. While market participants may have considered the survey implications when futures opened this morning, for now the focus remains on the demand side of the equation.

Market Hogs and Supply Estimates for Spring/Summer: USDA estimated the total number market hogs as of March 1 at 71.254 million head, **4.3% higher than the previous year.** Analysts polled ahead of the report on average expected the number of market hogs to be 3.5% higher than the previous year. The USDA number was outside the range of estimates. While the larger than expected inventory may contrast with pre-report estimates it should not be a surprise. **The number of hogs coming to market in recent months has consistently outpaced earlier surveys.** Indeed, USDA made some significant revisions to earlier estimates, including a net revision of 3 pct to the Jun-Aug pig crop. The inventory of hogs under 120 pounds, which are hogs that should come to market between late May through end of August, was 42.074 million head, 1.533 million head or 3.8% higher than a year ago. Weekly hog slaughter during that period last year averaged 2.362 million head. The latest USDA survey indicates that weekly slaughter in late spring and summer should average over 2.45 million head, with slaughter well over 2.55 million head in August.

Fall market and future supplies: The breeding herd number is always a critical number. One can talk about survey results with regard to farrowing intentions, etc, but ultimately the size of the pig crop is a function of the breeding herd and productivity. Ahead of the report analysts on average expected the breeding herd to be up 1.4% compared to a year ago. The range of estimates was +0.5% to +2.0. According to the latest USDA survey, **the hog breeding herd as of March 1 was estimated at 6.375 million head, just 0.4% higher than a year ago and outside the range of estimates.** The breeding herd was down 1.3% compared to what it was three months ago. This is the biggest q/q decline in the breeding herd since September 2012. Sow slaughter during Dec-Feb was up 5.3% compared to a year ago but **the decline was mostly a result of a sharp contraction in gilt retention.** The latest breeding herd data implies that gilt retention last quarter was down 8% compared to the same quarter a year ago. The smaller breeding herd likely influenced estimates for farrowings during the Mar-May and Jun-Aug periods. The survey indicated that producers expect farrowings during Mar-May to decline 0.4%. Assuming a 2.5% increase in pigs saved per litter, this would imply a pig crop for the period of just over 2% and a similar increase in fall slaughter. Farrowings for the Jun-Aug period were projected to be down 4.3%, implying decline in slaughter next winter of around 2% or more. While this may be construed as positive, as noted at the start, demand uncertainty remains top of the mind for all.

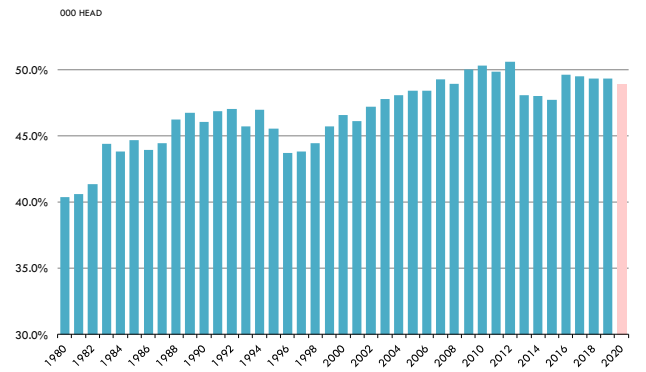
March 1 Inventory of Market Hogs, 1980-2020

Data source: USDA-NASS. Analysis by Steiner Consulting



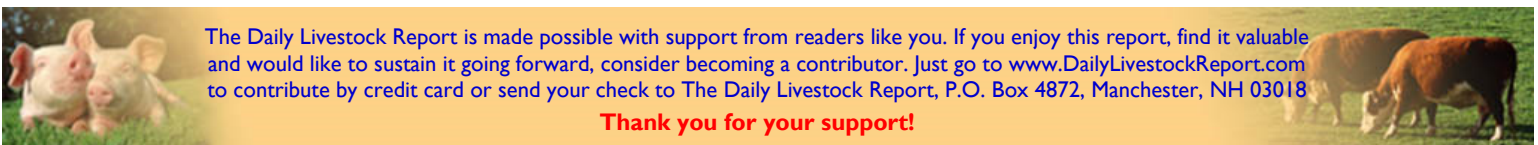
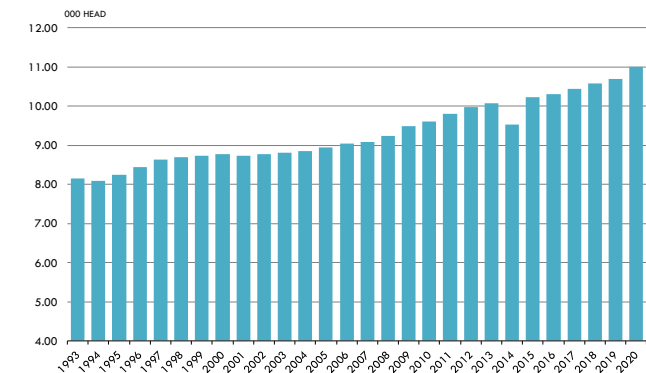
Ratio of Farrowings During Mar-May Quarter vs. Mar. 1. Breeding Herd (2020 Intentions)

Source: USDA-NASS. Calculations by Steiner Consulting.



Pigs per Litter, Dec-Feb Quarter, 1993-2020

Source: USDA



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USDA HOGS AND PIGS REPORT: MARCH 1, 2020

Urner Barry Survey ANALYST PRE-REPORT ESTIMATES

CATEGORY	2018	2019	2020	2020 AS % OF		Urner Barry Survey			USDA vs. Est.
				2018	2019	Range	Avg.		
ALL HOGS AND PIGS	72,748	74,661	77,629	106.7%	104.0%	102.8	103.7	103.4	0.6
KEPT FOR BREEDING	6,210	6,349	6,375	102.7%	100.4%	100.5	102.0	101.4	-1.0
KEPT FOR MARKET	66,538	68,313	71,254	107.1%	104.3%	102.9	103.8	103.5	0.8
UNDER 50 POUNDS	20,942	21,373	22,221	106.1%	104.0%	102.2	103.5	102.9	1.1
50-119 POUNDS	18,212	19,168	19,853	109.0%	103.6%	100.8	103.6	102.7	0.9
120-179 POUNDS	14,996	15,001	15,581	103.9%	103.9%	103.0	105.3	103.8	0.1
180 POUNDS AND OVER	12,387	12,771	13,598	109.8%	106.5%	104.1	106.2	105.4	1.1
<u>SOW FARROWINGS</u>									
DEC - FEB	2,977	3,099	3,158	106.1%	101.9%	100.4	101.6	101.1	0.8
MAR - MAY ¹	3,064	3,133	3,119	101.8%	99.6%	99.6	102.0	100.6	-1.0
DEC - MAY ^{2,3}	6,041	6,233	6,277	103.9%	100.7%				
JUN - AUG ¹	3,172	3,275	3,134	98.8%	95.7%	99.7	101.7	100.4	-4.7
SEP - NOV	3,205	3,247							
JUN - NOV ³	6,377	6,522							
<u>PIG CROP</u>									
DEC - FEB	31,497	33,163	34,734	110.3%	104.7%	103.0	104.6	103.5	1.2
MAR - MAY	32,556	34,454							
DEC - MAY ³	64,053	67,617							
JUN - AUG	34,019	36,369							
SEP - NOV	34,496	36,007							
JUN - NOV ³	68,515	72,377							
<u>PIGS PER LITTER</u>									
DEC - FEB	10.58	10.70	11.00	104.0%	102.8%	101.3	103.3	102.5	0.3
MAR - MAY	10.63	11.00							
DEC - MAY	10.60	10.85							
JUN - AUG	10.72	11.11							
SEP - NOV	10.76	11.09							
JUN - NOV	10.74	11.10							

1. Intentions for 2020

2. Actual farrowings for December 2019-February 2020 plus intentions for March-May 2020

3. May not add due to rounding

