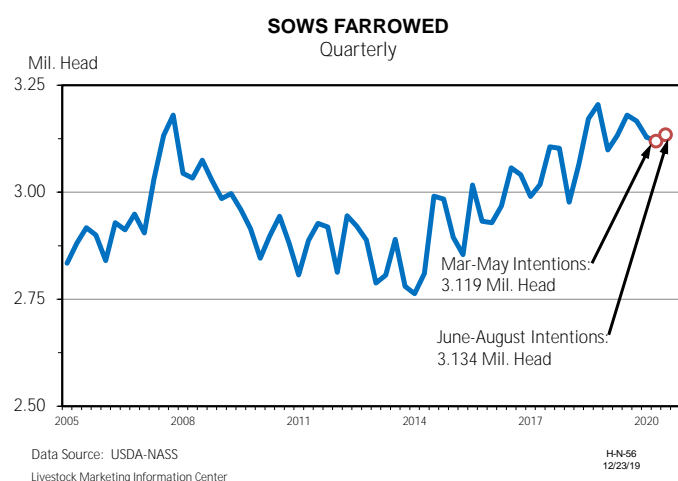


# Daily Livestock Report

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USDA National Agricultural Statistics Service (NASS) March 1 Hogs and Pigs report released on March 26, 2020 reported that March-May and June-August farrowing intentions were 3.119 and 3.134 million head, respectively, down 0.4% and 4.3%. Both periods were below analyst's expectations of 0.6% and 0.4% increases for each period, respectively. The unexpected decline in farrowing intentions gives some indication of producer sentiments that profitability in the hog sector may be limited, especially in the second half of 2020 and start of 2021. For this DLR we will focus on the potential market implications to hog slaughter and pork production from the implied farrowing intentions for the March-May and June-August time periods.



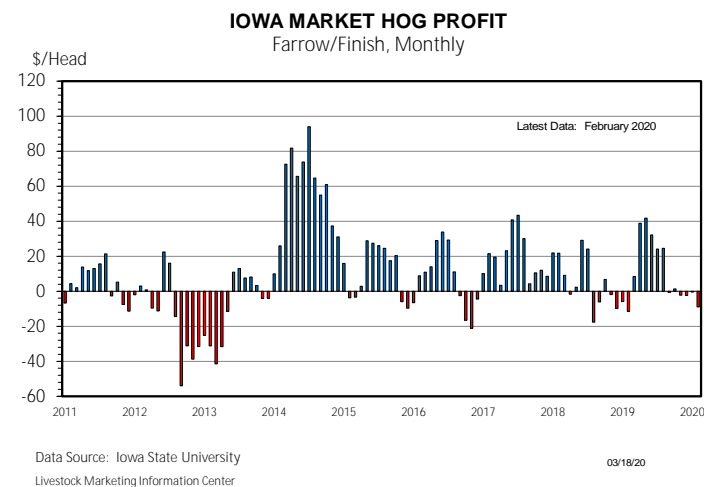
Usually hogs born during the March-May period will be marketed during the fourth quarter of the year. Taking the NASS reported decline of 0.4% for the March-May farrowing timeframe means that about 14,000 fewer sows will be farrowing. Multiplying that by a conservative estimate of 11.00 pigs saved per litter implies that about 154,000 fewer hogs will be born during that period. Assuming an average barrow and gilt dressed weight ranging from 205-215 pounds this calculates to approximately 31.6-33.1 million pounds less of pork produced during the fourth quarter of 2020.

Using a similar process for the reported 3.134 million head June-August farrowing intentions, this is 141,000 fewer sows farrowing. Conservatively, assuming 11.00 pigs saved per litter this means 1.55 million head less market hogs. Using the same average barrow and gilt dressed weight range of 205-215 pounds translates to 318.0 to 333.5 million pounds less pork produced during the first

quarter of 2021. Adding the decline in pork production for the fourth quarter of 2020 and first quarter of 2021 means that there could be 349.5 to 366.6 million pounds less pork produced than expected based on the March 1 Hogs & Pigs report.

USDA World Agricultural Outlook Board (WAOB) is currently forecasting fourth quarter 2020 pork production of 7.73 billion pounds. Subtracting the 31.6-33.1 million pounds calculated decline in pork production for that quarter puts production at or just below 7.7 billion pounds. The larger decline is likely to materialize during the first quarter of 2021. The calculated decline of 318.0 to 333.5 million pounds in the first quarter could potentially be enough to push pork production during the first quarter of 2021 below current first quarter 2020 production levels. Using LMIC's pork production calculations for first quarter 2021, this could be a 3-5% reduction from previous estimates for that quarter. The next two Quarterly Hogs and Pigs reports will true these numbers. Breeding decisions for June-August farrowings are made in March and over the next couple of months. This rough estimate shows the potential production impacts.

Iowa State University calculated returns for a farrow-to-finish operation were -\$0.46 and -\$8.94 per head for January and February, respectively, this year. The calculated breakeven carcass selling price was \$62.81 and \$58.52 per cwt for each month. The limited profitability to start 2020 along with the market and demand uncertainty surrounding COVID-19 will likely factor into producer's farrowing intentions for the remainder of 2020 with production impacts extending into the start of 2021.



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