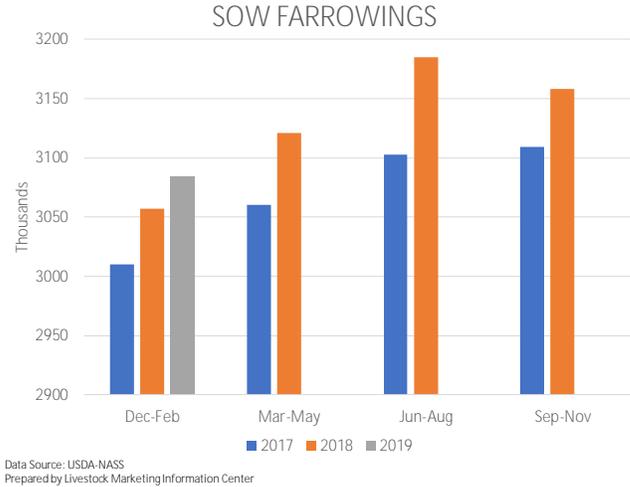


Last week USDA-National Agricultural Statistics Service (NASS) reported that pigs born during the December 2018-February 2019 quarter increased by 3% from a year earlier, based on 2% more sows farrowing and a 1% increase in the number of pigs per litter. This was in line with market expectations and a breeding hog inventory on March 1 that was up 2% from a year earlier.

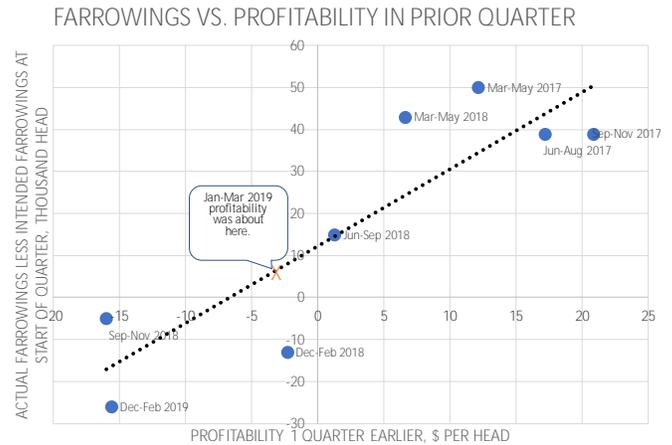
Sows farrowed during the December 2018-February 2019 quarter were pegged at 3.084 million. Three months earlier, hog producers were queried on their expectations for farrowings during the upcoming quarter, which USDA-NASS reported to be 3.110 million sows, so actual farrowings came in 26,000 head below expectations of three months earlier. This was the biggest downward adjustment for any quarter since 2016, but it is also consistent with profitability trends for hog producers during the second half of 2018, based on data from Iowa State University.

The graph in the lower right corner shows the positive relationship that has existed between hog production profitability and farrowings in a quarter relative to stated intentions three months earlier. In the just completed December-February 2019 quarter actual farrowings came up short of intentions on December 1 by 26,000 head. Average profitability during the July-September 2019 quarter, based on Iowa State University data showed a loss of slightly more than \$15 per head. Conversely, farrowings in March-May 2018 surpassed producer stated farrowing intentions on March 1, 2018 by 43,000 sows which followed January-March 2018 hog production profitability that was a positive \$6.59 per head.

During the first two months of 2019, profitability averaged about



\$8 per head loss. The rally in hog prices during March likely moved hog producers back into profitability, but the quarterly average was still slightly negative. Based on the chart below, this would suggest that actual farrowings in the March-May quarter could be within 10,000 sows of the stated intentions on March 1, with a bias leaning towards the positive side given the positioning of the trend line (see below). The March 1 farrowing intentions were 3.119 million sows. Adding another 10,000 head gives a projection of 3.129 million head which compares with 3.100 million sows farrowed in March-May 2018.



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