Daily Livestock Report

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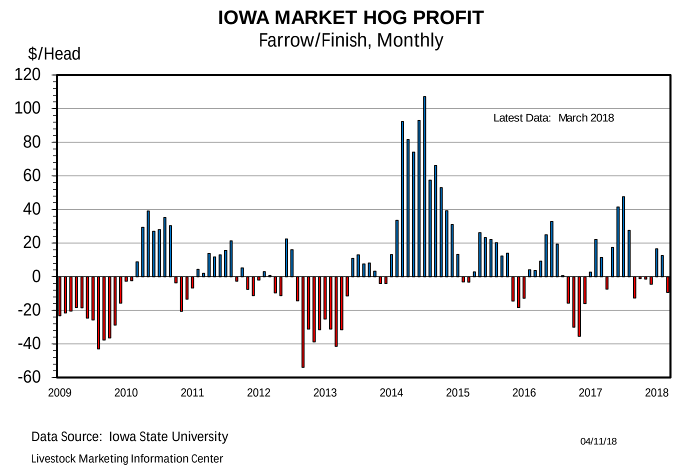
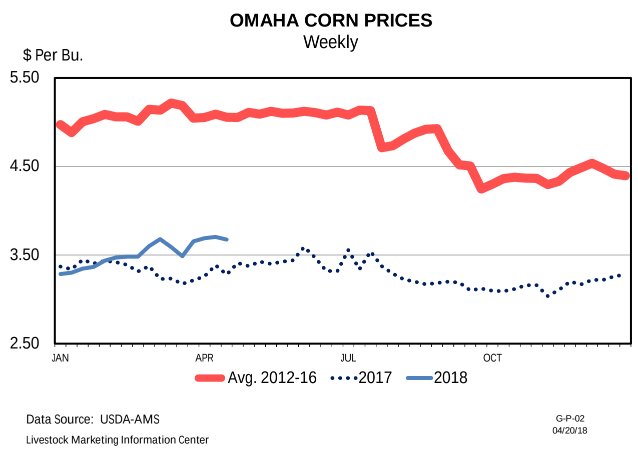
Pork production during the winter quarter was up 3.7% from a year earlier, driven by a 3.1% increase in barrow and gilt slaughter and average carcass weights that were 0.7% heavier. Pigs born during the prior summer increased 2.8% from a year earlier, so the winter quarter barrow and gilt harvest was not surprising.

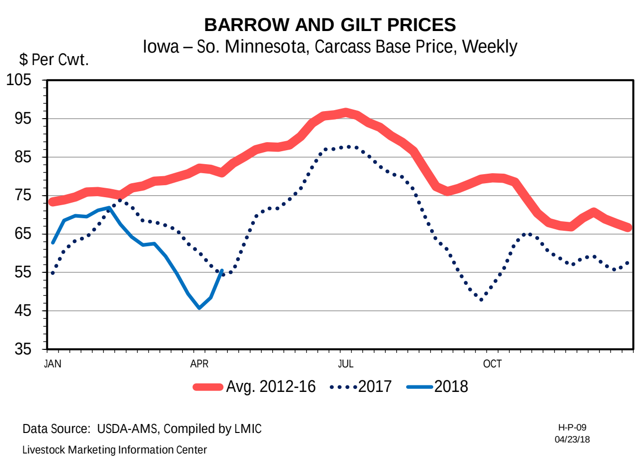
Iowa-Minnesota hog prices were down 3% from a year earlier during the winter quarter, a modest decline considering the increase in hogs available. The same cannot be said for prominent components of the hog carcass. The pork loin primal value was 7% lower and the belly value was down 17%. Packer margins suffered, accordingly, but this was expected given the additional hog processing capacity that has come on line during the last six moths that has increased the competition for hogs.

Hog producers can be empathetic with pork processors as they have seen margins erode as well. Farrow to finish margin data from Iowa State University ran positive to start the year but slipped into negative territory as the winter quarter progressed. Profit margin calculations incorporated feed costs going back into the fall harvest quarter of late 2017 and lower costs of grain 4-6 months ago supported hog production returns early this year. The rise in feed costs since the start of this year along with the collapse in hog prices in March in is less encouraging at the onset of the spring quarter.

Winter quarter hog prices relative to feed costs were the lowest for the first quarter of the year since 2015. The spring quarter hog to feed cost relationship may be the lowest since 2013 on a same quarter basis. On March 1, hog producers stated intentions to farrow 2% more sows this spring and 1% more sows this summer. The trend in profitability could restrain farrowing efforts this summer below those stated intentions by a percent or two. The March 1 breeding hog population was up 2% from a year earlier. Looking back at 2015, with similar profitability trends, the March 1 breeding hog inventory was up 2%, but finished up the year only 1% and on March 1, 2016 was unchanged from a year earlier. This may be the relevant precedent for breeding hog trends in the coming year.







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