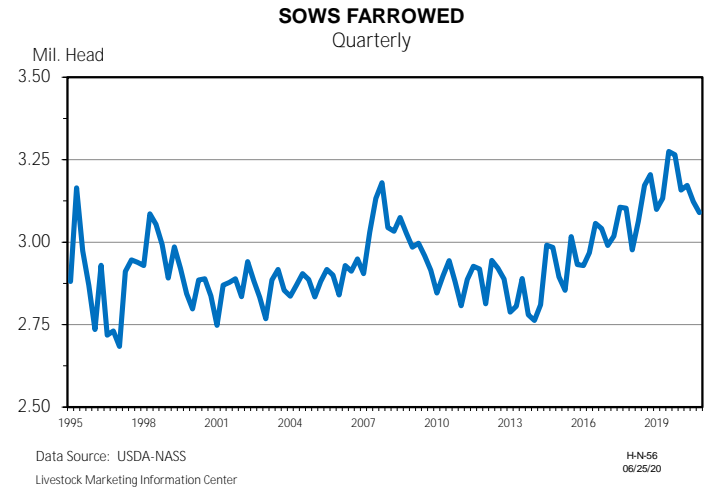


Weekly sow slaughter continues its strong upward trend with every week this year being above the prior year. Year-to-date sow slaughter through the first week of September is just over 2.3 million head which is 12.3% above the same period last year. Since the pandemic started to affect the livestock industry and slaughter facilities in early April, weekly sow slaughter has averaged nearly 4.0% above a year ago with each week ranging from 2.4% to 25.4%. Recall the June 1 Hogs and Pigs report had farrowing intentions down 4.6% to 3.123 million head for June to August. The September 1 Hogs and Pigs report is scheduled to be released from USDA NASS on September 24th and will shed more light on actual farrowings. Given the increased pace of sow slaughter this year, farrowings for the June to August period is expected to be lower than last year. Lack of profitability this year has led producers to cull more sows than usual.

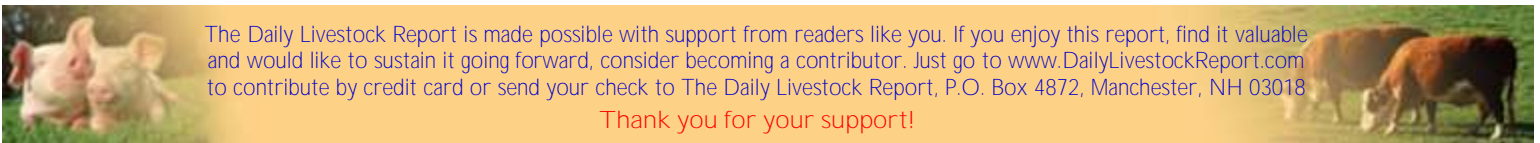
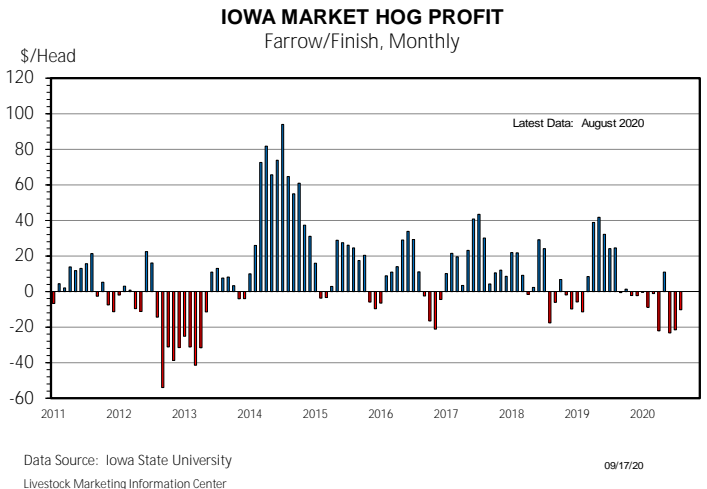
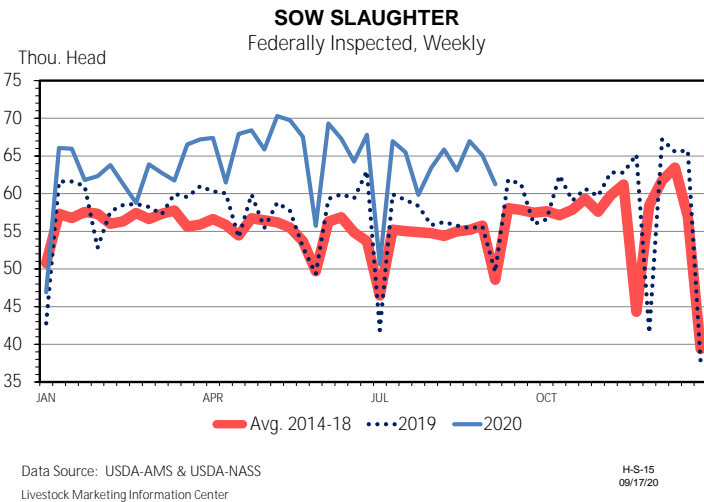
Iowa State University recently released [estimated returns](#) to farrow and finish hogs for the month of August. Their returns are based on the cost of producing a 270-pound finished pig. August returns were -\$10.25 per head which is much lower than the \$24.60 per head profit seen a year ago. In one year's time, farrow and finish hog returns have managed to post only two months with positive returns, May 2020 (\$10.95) and October 2019 (\$1.36). The remaining ten months have all posted negative returns ranging from -\$0.46 to -\$23.30 per head. Returns seen in April, June, and July 2020 were the lowest since the first quarter of 2013. Although August's returns were negative, they are an improvement over the prior two months of June and July which both posted returns of -\$23.30 and -\$21.55 per head.

Lean hog futures forward contracts have rallied in recent weeks with the discovery of ASF in Germany, which could increase farrowings in later quarters should those prices remain elevated. The quarterly



hogs and pigs survey that will be released next week, will have a reference point as of September 1, before the ASF positive hog was found in Germany. Farrowings and gilt retention listed in that report will reflect August sentiments towards profitability in the industry.

Additionally, total feed costs are a large portion, 59.2%, of total costs in August which were \$71.52 per head down \$6.73 per head from a year ago. Much of the drop in total feed costs is due to a lower corn cost which was \$29.12 per head versus \$36.36 a year ago. USDA WAOB increased expected corn price \$0.40 per bushel cwt. and increased soybean meal prices \$25 per ton nationally for the 2020/21 season. This too will change the profitability picture for hogs and work against any lasting price gains.



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