

The USDA **September 'Hogs and Pigs' report will be published on Thursday afternoon, September 24 at 2PM CT.** Below is a brief summary of what analysts polled by Reuters expect to see in the upcoming report and implications:

**Current inventories:** Usually there is not a lot of variance in the expectations for market hog inventories. Analysts use data from the previous quarterly report, including projections for the pig crop, to estimate the supply of hogs on the ground. This year has been an anomaly as COVID disruptions caused hogs to get backed up over the summer. Hog slaughter data indicates that producers did not process all the hogs that the survey indicated on June 1. And yet, **hog carcass weight data says that weights at the end of August were the lowest in three years.** Two of the six analysts polled think the supply of hogs on September 1 was lower than a year ago. Presumably this means that the front end supply is not very big and the pig crop was down sharply during Jun-Aug period. **Analysts on average still think front end supplies are higher than last year.** Inventory of +180 lb. hogs on September 1 is projected at 3.3% above last year. And yet, weekly slaughter in the four September weeks (includes estimate for this week) was 0.6% lower than a year ago. Cash hog prices have been trending higher, as well. Will USDA surprise the market and print a smaller inventory of +180 lb. hogs? October futures have been trending higher for the last three weeks as firm cash hog prices and higher wholesale pork values have pushed the CME index above \$70/cwt. There is broad consensus that inventories of light hogs will be down. It is interesting that analysts think Jun-Aug pig crop was down almost 5% and yet inventories of lighter weight hogs are not projected to be down as much. Inventories of 50 pound or lighter hogs largely impact the February contract.

**Breeding herd: There is broad expectation that the breeding herd on September 1 will be smaller than it was a year ago.** This is not exactly a surprise as the breeding herd on June 1 was 6.326 million head, down 1.3% from the previous year. Last year producers were expanding on expectations of strong China demand in 2020. The breeding herd on September 1, 2019 was 6.431million head, up 20k head from June 1. This year we have seen a double digit increase in sow slaughter during Jun-Aug. Weak hog futures during the summer offered little growth incentives for producers so the expectation is for the herd to be down 56k head since June 1 and down 161k head or 2.5% from a year ago.

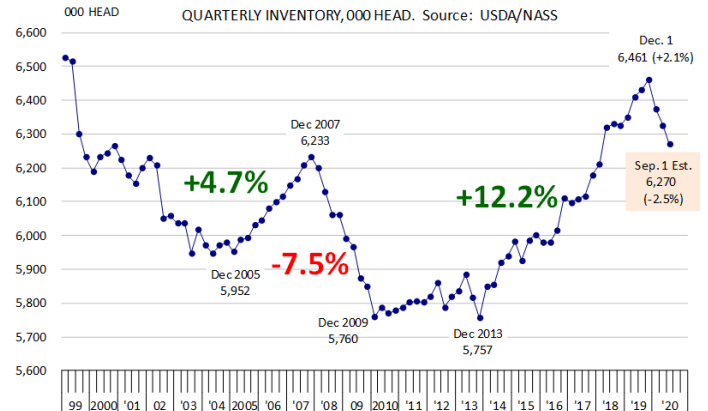
**Future supply implications:** Probably the best indicator of future supply is the size of the breeding herd. Analysts guessing what farrowing intentions will show have settled on a 4.5% reduction in farrowings for the Sep-Nov period and 3% reduction in farrowings for the Dec-Feb period. The Sep-Nov farrowing number appears a bit low given the current size of the breeding herd. In the last four years, the ratio of Sep-Nov farrowings relative to the Sep 1 breeding herd has averaged about 50.7%. The average of analyst estimates pegs it a full percentage point lower. Similarly, the ratio of forecasted Jun-Aug farrowings vs. the June 1 breeding herd is 49.5% compared to an average of 50.8% in the last four years. Pigs saved per litter in the Jun-Aug period are forecast up just 0.1% compared to a year ago. If correct, this would be 0.9% higher than the previous quarter, which is in line with historical trends.

## Analyst Estimates of USDA Sep. 1 Hogs and Pigs Survey

Percent of Year Ago. Source: Reuters

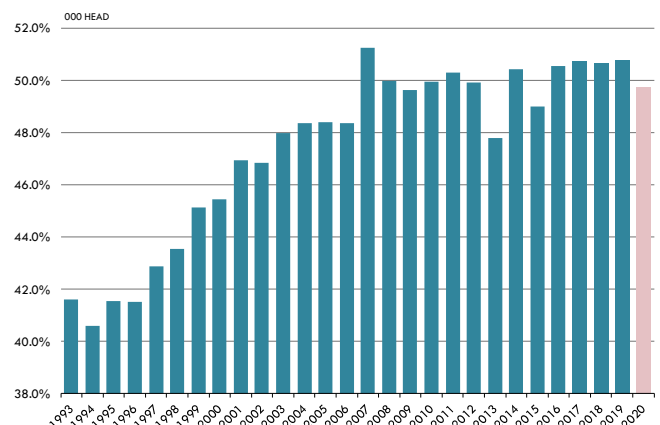
	USDA Actual	Analyst Avg.	Analyst Range of
All hogs and pigs on Sept 1		100.1	96.9 - 102.6
Kept for breeding		97.5	96.7 - 98.9
Kept for marketing		100.6	96.9 - 103.0
Jun-Aug pig crop		95.1	93.2 - 96.0
Jun-Aug pigs per litter		100.1	99.7 - 100.4
Jun-Aug farrowings		95.7	95.1 - 96.9
Sep-Nov farrowing intentions		95.5	94.3 - 97.2
Dec-Feb farrowing intentions		97.0	99.1 - 101.5
Hogs weighing under 50 lbs		98.6	95.0 - 100.5
Hogs weighing 50 to 119 lbs		99.8	95.4 - 102.0
Hogs weighing 120-179 lbs		102.3	98.1 - 105.1
Hogs weighing 180 and over		103.3	101.0 - 106.6

## US HOGS KEPT FOR BREEDING:



## Ratio of Farrowing Intentions for Sep-Nov Quarter vs. Sep. 1. Breeding Herd

Source: USDA. Analysis by Steiner Consulting



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