

The table on page 2 includes the full details from the latest USDA 'Hogs and Pigs' report. The report was a bit on the bearish side and market opened lower today. The only exception being October, which continues to be anchored by higher prices for hogs in the cash market and robust wholesale pork values. Briefly a couple of takeaways from this latest report:

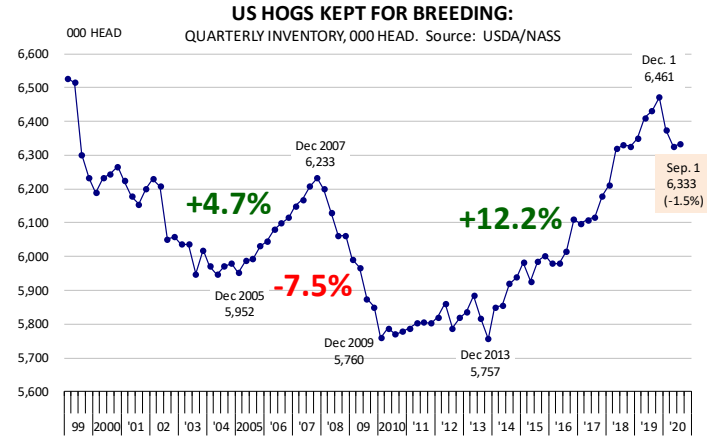
1. **There's a lot of talk about not believing USDA numbers.** The supply of hogs in the +180 lb. category was 1.3 million head or 9.8% higher than a year ago. In a normal year many of these hogs would have been slaughtered in September and yet September weekly slaughter is about 1% lower than a year ago. Packers are paying up for hogs in the cash market and weights on producer owned barrows and gilts are about 1% less than last year. You cannot blame people for doubting the numbers. But it is also conceivable that producers have been able to take advantage of the seasonal pullback in supplies, hot summer temps and the removal of ractopamine to manage the supply flow. Pig crop in Jun-Aug was estimated down 3.5% and inventory of hogs under 120 pounds was 1.55 million head than last year. So there may not be as many hogs behind to get producers desperate enough to lower asking prices in order to schedule hogs for slaughter. But fall will be a test as cooler temps and fresh corn usually mean better conversion.

2. **If on September 1 there were 2.2 million more hogs** in the +120 category (the top two categories combined), then producers still face a significant backlog and it is unlikely to go away this fall. Last year, non-holiday weekly hog slaughter during October and November averaged 2.720 million head per week. Slaughter for the most current week is expected to be somewhere around 2.64 million. The pig crop for the March-May period was estimated 1.4% above year ago levels. So even without a backlog slaughter would need to be close to 2.75 million per week in order to stay current. Based on survey numbers, not only it is not possible to bring down the backlog but we may end up adding to it. Alternatively, you can believe that the numbers are not real, that the survey does not matter and forecast based on spot market. There's plenty of people out there that make weekend plans by looking out the window on Tuesday.

3. **Producers have pulled back but talk of major liquidation is overblown.** One of the more surprising numbers in the report, and one that did not get much attention, was the lower than expected decline in the breeding herd. USDA pegged the breeding herd on September 1 at 6.333 million head, 1.5% lower than last year but 0.1% higher than in June. In the last five years, September breeding herd as averaged 0.4% above June. How is it that the herd managed to increase (modestly) even as sow/boar slaughter during Jun-Aug was reported 12% higher than a year ago. Either producers retained more gilts, some +10% more y/y by our estimate, or some of the sow slaughter reported included out of spec pigs. There's been some anecdotal evidence of that but the discrepancy between the Sep 1 breeding herd and summer slaughter offers evidence of what's been going on. The smaller breeding herd would suggest a modest decline in pork production next year although that is not a given due to the multiple ways producers have to bolster production (farrowing rate, pigs saved per litter, carcass weights). Talk of supply contraction is premature.

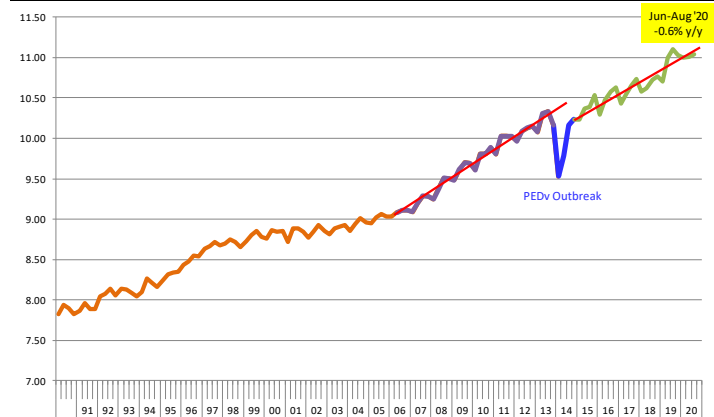
4. **But farrowings are way down, doesn't that meat less supply?** Those are farrowing estimates and even at the best of times it's just a good guess. The chart to the right shows how final farrowing estimates compare to the estimates presented in previous quarters (there are two estimates provided until the final number is published. For the last five years, the actual farrowings number has been higher than earlier estimates.

[USDA answers some Frequently Asked Questions in this document \(link\)](#)



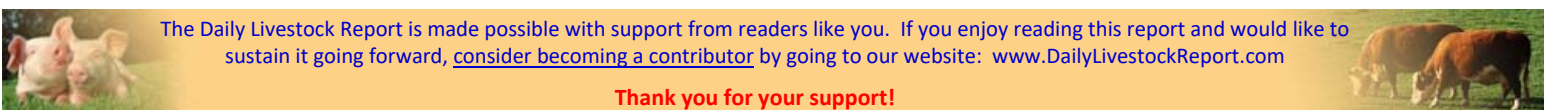
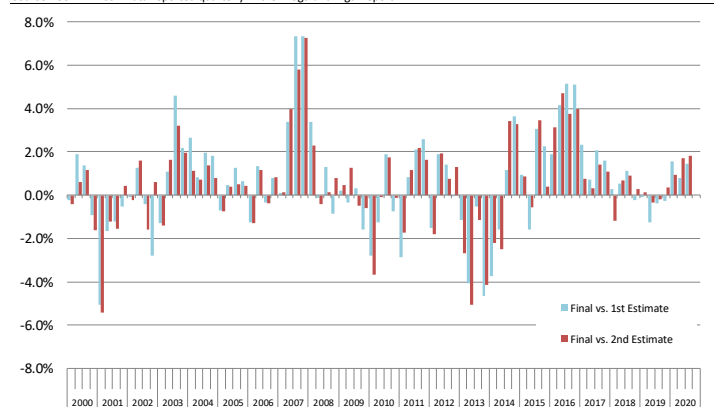
Trend in Quarterly Pigs Saved Per Litter

Source: USDA-NASS 'Hogs and Pigs' Survey Results



Final farrowing estimate vs. 1st and 2nd estimate. % difference

Source: USDA-NASS. Data reported quarterly in the 'Hogs and Pigs' report



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USDA HOGS AND PIGS REPORT: SEPTEMBER 1, 2020

CATEGORY	2018	2019	2020	2021	2020 AS % OF 2018	2020 AS % OF 2019	2021 AS % OF 2020
ALL HOGS AND PIGS	74,556	78,583	79,099		106.1%	100.7%	
KEPT FOR BREEDING	6,330	6,431	6,333		100.0%	98.5%	
KEPT FOR MARKET	68,226	72,153	72,766		106.7%	100.8%	
180 Pounds and over	12,100	12,899	14,169		117.1%	109.8%	
120 - 179 Pounds	13,986	14,654	15,547		111.2%	106.1%	
50 - 119 Pounds	20,099	21,224	20,490		101.9%	96.5%	
Under 50 Pounds	22,040	23,376	22,559		102.4%	96.5%	
<u>SOW FARROWINGS</u>							
DEC - FEB^{1,2}	2,977	3,099	3,158	3,111	106.1%	101.9%	98.5%
MAR - MAY	3,064	3,133	3,172		103.5%	101.2%	
DEC - MAY¹	6,041	6,233	6,330		104.8%	101.6%	
JUN - AUG	3,172	3,275	3,180		100.3%	97.1%	
SEP - NOV³	3,205	3,265	3,118		97.3%	95.5%	
JUN - NOV⁴	6,377	6,540	6,298		98.8%	96.3%	
<u>PIG CROP</u>							
DEC - FEB¹	31,497	33,163	34,734		110.3%	104.7%	
MAR - MAY	32,556	34,454	34,933		107.3%	101.4%	
DEC - MAY¹	64,053	67,617	69,668		108.8%	103.0%	
JUN - AUG	34,019	36,369	35,115		103.2%	96.6%	
SEP - NOV	34,496	36,205					
JUN - NOV	68,515	72,575					
<u>PIGS PER LITTER</u>							
DEC - FEB¹	10.58	10.70	11.00		104.0%	102.8%	
MAR - MAY	10.63	11.00	11.01		103.6%	100.1%	
DEC - MAY¹	10.60	10.85	11.01		103.9%	101.5%	
JUN - AUG	10.72	11.11	11.04		103.0%	99.4%	
SEP - NOV	10.76	11.09					
JUN - NOV	10.74	11.10					

(1) - Dec. preceding year

(2) - Intentions for 2021

(3) - Intentions for 2020

(4) - Actual farrowings for June-August plus intentions for September-November

