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Special Notice: CME is currently soliciting industry feedback regarding a possible change to the calculation of the Choice/Select percentage of the Live Cattle contract. The CME survey can be found at the link below:

<https://www.cmegroup.com/content/dam/cmegroup/notices/ser/2018/09/SER-8243.pdf>

The table to the right offers a summary of analyst estimates ahead of the quarterly USDA 'Hogs and Pigs' report. As is usually the case, the report is closely watched by market participants in order to set the baseline for pork supplies in the next few quarters. A few thoughts on the upcoming report:

1. Analysts on average expect **the breeding herd on September 1 to be only slightly lower than it was in the June quarter and 3.1% higher than a year ago.** There is a wide range of opinions on this point (see range), in part due to the sharp decline in cash hog values in August and the impact this had on producer profitability. Sow/boar slaughter during the Jun-Aug period was 850,200 head, 22,100 head or 2.7% higher than a year ago. More breeding animals went to slaughter in July and August but slaughter in June was 4% lower than last year. If analysts are correct, the breeding herd number would imply only a modest reduction in gilt retention relative to a year ago. However, the ratio of gilt retention vs. slaughter would be the lowest since 2016. Please keep in mind that we don't have a data set on gilt retention and we calculate it as a residual in a sow/boar supply balance sheet. The size of the breeding herd will be critical for pork supplies next spring and summer. A lower than expected breeding herd and ongoing speculation about pork export demand due to Swine Fever could bolster futures prices for next spring and summer.

2. Analysts polled by Urner Barry expect to see a **3.5% increase in the inventory of market hogs.** These are hogs that should come to market through the end of this year and very early 2019. Hog slaughter was record large last October (it was surpassed in August) and we expect to see new record production levels next month. In June USDA pegged the pig crop for Mar-May 4.3% above the previous year and the current analyst estimates reflect the larger crop. The June survey said that producers expected a 1.6% increase in farrowings during Jun-Aug. Analysts think that the September survey will show a 2% increase in farrowings during the summer months, a number that is more in line with the size of the breeding herd on June 1. The number of pigs saved per litter is expected to be 1% higher than a year ago, in line with recent trends. If these numbers hold, it would result in the +3.2% increase in the pig crop that analysts are expecting and imply a similar increase in slaughter for the Dec-Feb quarter.

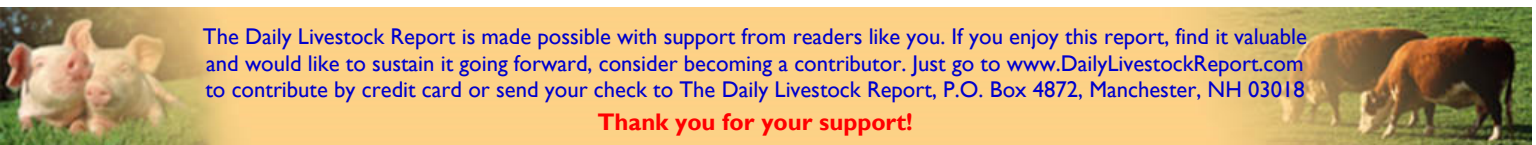
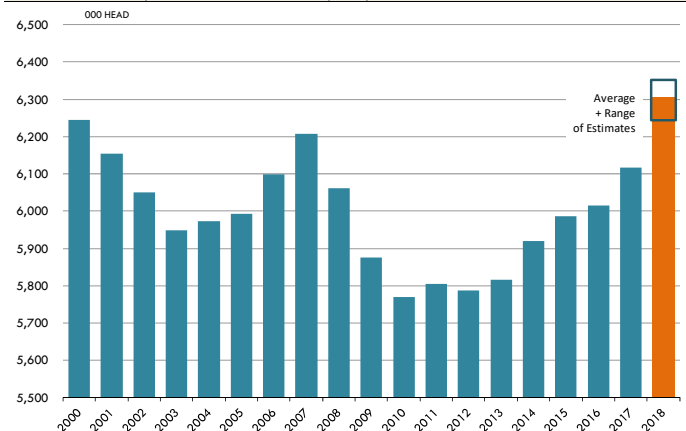
3. The analyst **farrowing intentions for Sep-Nov are only modestly higher from what was reported in the June survey.** Analysts also expect to see higher farrowings during the winter months. However, those numbers will have to be viewed in conjunction with the size of the breeding herd. Currently the 1.8% increase in Sep-Nov farrowings lines up relatively well with a +3.1% higher breeding herd. If correct, these farrowing intentions imply a +2.5% increase in spring/summer slaughter.

Analyst Estimates of USDA Sep. 1 Hogs and Pigs Survey

Percent of Year Ago. Source: Urner Barry

	USDA Actual	Analyst Avg.	Analyst Range of
All hogs and pigs on Sept 1		103.4	102.8-104.0
Kept for breeding		103.1	102.1-103.8
Kept for marketing		103.5	102.9-104.0
Jun-Aug pig crop		103.2	102.1-104.2
Jun-Aug pigs per litter		101.0	100.6-101.4
Jun-Aug farrowings		102.1	101.5-103.2
Sep-Nov farrowing intentions		101.8	100.1-102.9
Dec-Feb farrowing intentions		101.7	100.5-103.0
Hogs weighing under 50 lbs		103.3	102.5-104.0
Hogs weighing 50 to 119 lbs		103.5	103.0-104.2
Hogs weighing 120-179 lbs		103.7	103.1-104.4
Hogs weighing 180 and over		103.6	103.0-105.0

September 1 Inventory of Hogs Kept for Breeding. 1993 - 2017 + Analyst Estimates
Source: USDA-NASS. Analyst Estimates Based on Urner Barry Survey



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