

We begin this newsletter by referring readers interested in hog sector slaughter capacity developments to a recent article in the National Hog Farmer by Dr. Steve Meyer (Kerns and Associates). The article is titled “U.S. Slaughter Capacity Settles Into Even Keel” and is available [here](#).

Today’s comments follow-up on last weeks Quarterly Hogs and Pigs report by USDA’s National Agricultural Statistics Service (NASS). We provide a quick summary of the pork supply implications, as evaluated by the Livestock Marketing Information Center (LMIC). Finally, we will discuss prices.

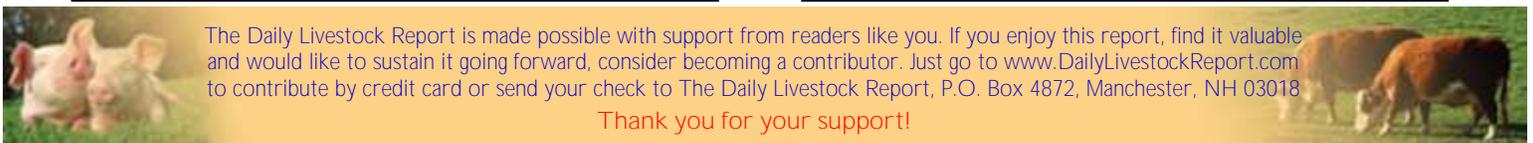
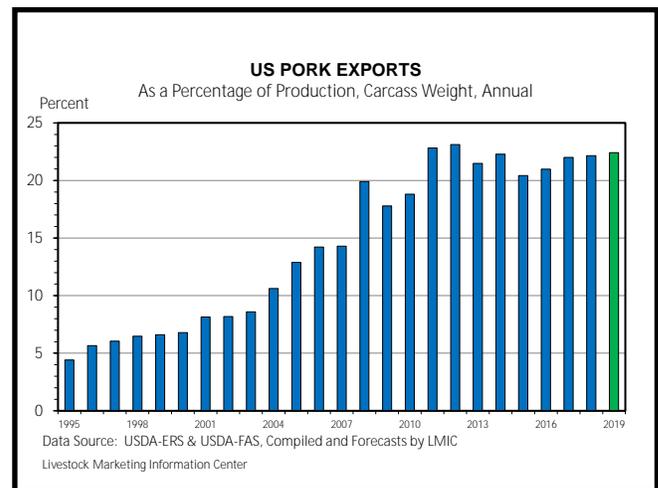
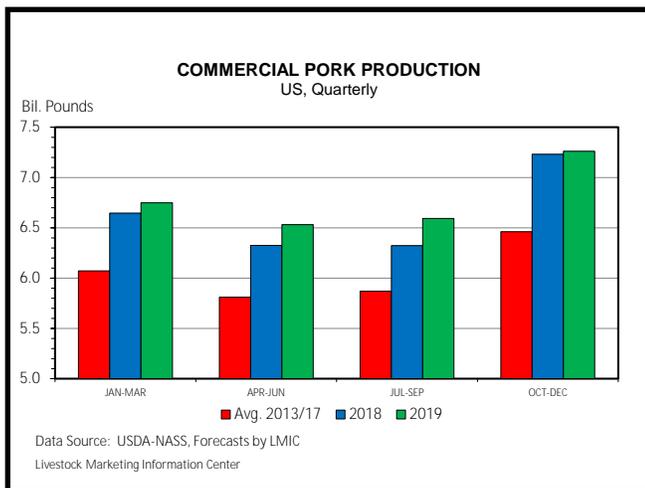
Producers reported that they plan to farrow 1.5% more sows than a year ago during September-November and 2.0% more during December-February. That December-February number was more than the LMIC expected. Using the NASS numbers, on a quarterly basis, projected commercial pork production for this year’s fourth quarter should increase 5% to 6% year-over-year (note that there is one more slaughter day than a year ago, which is 1.6%). For the first quarter of 2019, production is forecast to be 1% to 2% above the prior year’s (note that there is one less slaughter day than in 2018’s first quarter). In the second quarter of 2019, the output may increase by 3% to 4% year-over-year, and the third quarter could be up 4% to 5% (one more slaughter day year-over-year). For the final quarter of next year, LMIC put production unchanged to up 1% compared to 2018’s.

Calendar year 2018 U.S. pork production is projected at 26.5 billion pounds (carcass weight), rising about 3.7% year-over-

year. Expect more production in 2019, likely above 27 billion pounds (up 1% to 4% compared to 2018’s).

With more supply apparently in the pipeline, the economic question turns to pork demand. The U.S. domestic economy is well positioned to continue growing in 2019. In our assessment, the wild card is foreign demand. Based on recent political and trade developments, the LMIC has raised their 2019 pork export forecasts. On an annual basis, tonnage sold to foreign buyers may increase by 2% to 5%. That would represent just over 22% of U.S. pork (meat only not variety meats, etc.) production and is a similar percentage to LMIC’s 2018 projection. Of course, issues with production (e.g., impacts of African Swine Fever outbreak) in China could bolster U.S. exports even more. But, the watchwords regarding international trade remain “geopolitical uncertainty.”

If the above production and foreign demand forecasts materialize, what does that suggest for hog prices? For the year, hog prices in 2019 may be very similar to 2018’s. On a quarterly basis, prices are forecast to be well below 2018’s for the first quarter (down 8% to 10%), and then could be slightly above 2018’s levels. For the first quarter of 2019, the LMIC’s fundamental (supply and demand) price forecast is similar to yesterdays price levels in the futures market. But, the April through October contracts are higher. So, it appears that the futures market has been looking for pork exports tonnage to increase well more than 5% year-over-year in 2019. Note that yesterday, beginning with December 2018 futures contract, all prices dropped.



The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to [www.DailyLivestockReport.com](http://www.DailyLivestockReport.com) to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.. To subscribe, support or unsubscribe please visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com).

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group, CME and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract’s value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.