

While the market usually tends to focus on the day to day, it is useful to sometimes step back and review the broader statistics. The official monthly supply statistics for February were released last week and below is a brief recap of key numbers as well as our thoughts about the supply picture in March:

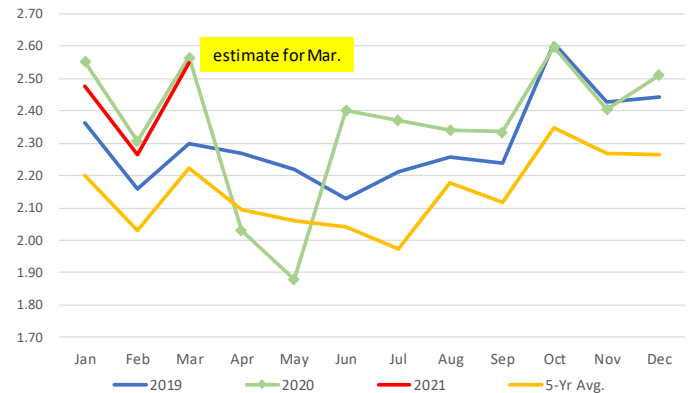
Hogs/Pork: Commercial hog slaughter in February was estimated at 11.736 million head, 292k head or 2.7% lower than the previous year. Average hog carcass weights were about 2 pounds or 1% higher than the previous year. As a result, pork production for the month was estimated at 2.266 billion pounds, 40.5 million pounds or 1.8% less than last year. Despite the y/y decline, however, pork production in February was 5% higher than in 2019 and 11.6% higher than the five year average. There is no question that some of the decisions made last spring/summer limited the production capacity and current availability. But additionally, limited freezer stocks, the need to refill the pipeline and optimism about a rebound in domestic demand have also contributed to current price inflation, especially for processing pork raw material. We think pork production in March will likely be around 2.55 billion pounds, less than 1% from a year ago and 11% higher than it was in 2019. There was one additional slaughter day in March 2021, however, which added to the overall monthly supply. Adjusting for that extra day would put March production about 5% below year ago levels.

There is some debate about the current pace of liquidation in the hog industry. Market uncertainty and escalating feed costs clearly drove liquidation in the second half of last year. Those decisions will continue to impact supply availability at least through the summer and early fall of this year. Sow slaughter for the period Apr-Dec 2020 was 243k head or 10.7% lower than the previous year. The pace of sow slaughter has not improved much although the monthly statistics may not show all of this. In January sow slaughter was down 4.3% but that's because there were two fewer slaughter days. In February, weather caused major disruptions to slaughter and as a result sow slaughter for the month was down 2.8%. In the first two weeks of March weekly sow slaughter averaged 11% above last year and the latest hogs and pigs report suggested limited gilt retention. The implication is that hog/pork supply growth will remain limited for much of this year and into early 2022.

Cattle/Beef: Not surprisingly cattle slaughter was down in February, impacted by winter storms that significantly affected movement of livestock and plant processing activity. Commercial cattle slaughter

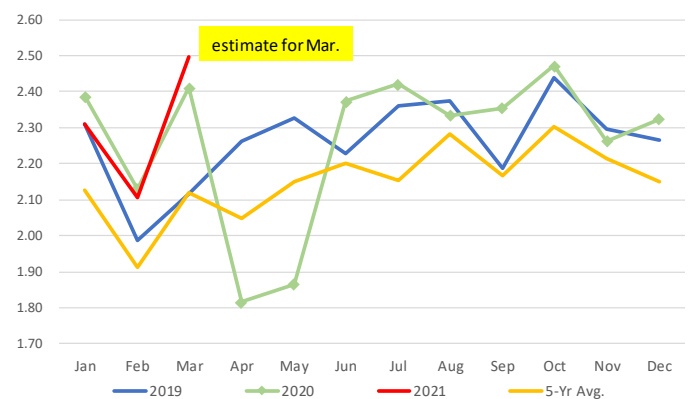
Commercial Monthly US Pork Production. Billion Lb.

Source: USDA-NASS. Analysis by Steiner Consulting

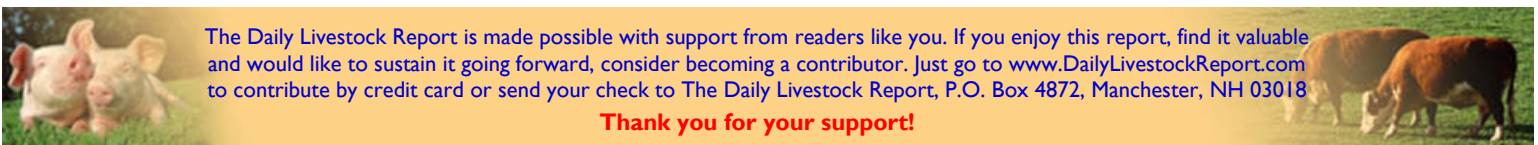


Commercial Monthly US Beef Production. Billion Lb.

Source: USDA-NASS. Analysis by Steiner Consulting



last month was estimated at 2.523 million head, 55.4k head or 2.1% lower than a year ago. Steer slaughter was 67.5k head or 5.5% lower while heifer slaughter was 21k head or 2.8% higher than a year ago. With one additional slaughter day, we think March slaughter will be close to 3 million head, 77.8k or 2.7% higher than the previous year. We think beef production in March will be 2.495 billion pounds, 85 million pounds or 3.5% over last year. Adjusting for the extra day would put slaughter about 1.8% under last year. Cow slaughter in February was 12.7k head or 2.5% lower than a year ago. Dairy cow slaughter last month was just 0.3% under the previous year while beef cow slaughter at 239.4k head was 11.8k head or 4.7% lower than the previous year.



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