



Pork Industry Economic Update

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Economist

October 18, 2023

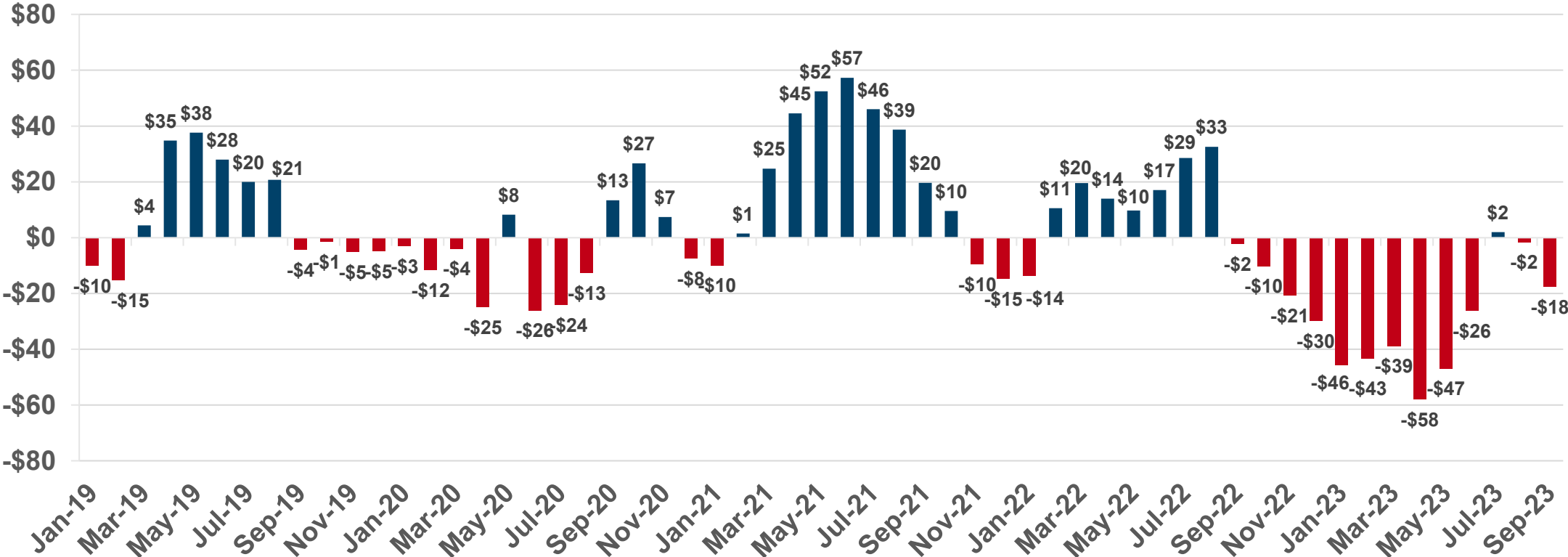
Overview

- Current situation
 - Prices, costs, and production
- Pork demand
- Hog supply
- Proposition 12
- Looking ahead



So far in 2023, average per head loss is ~\$30/head

Monthly Farrow-to-Finish Returns (\$/Head)

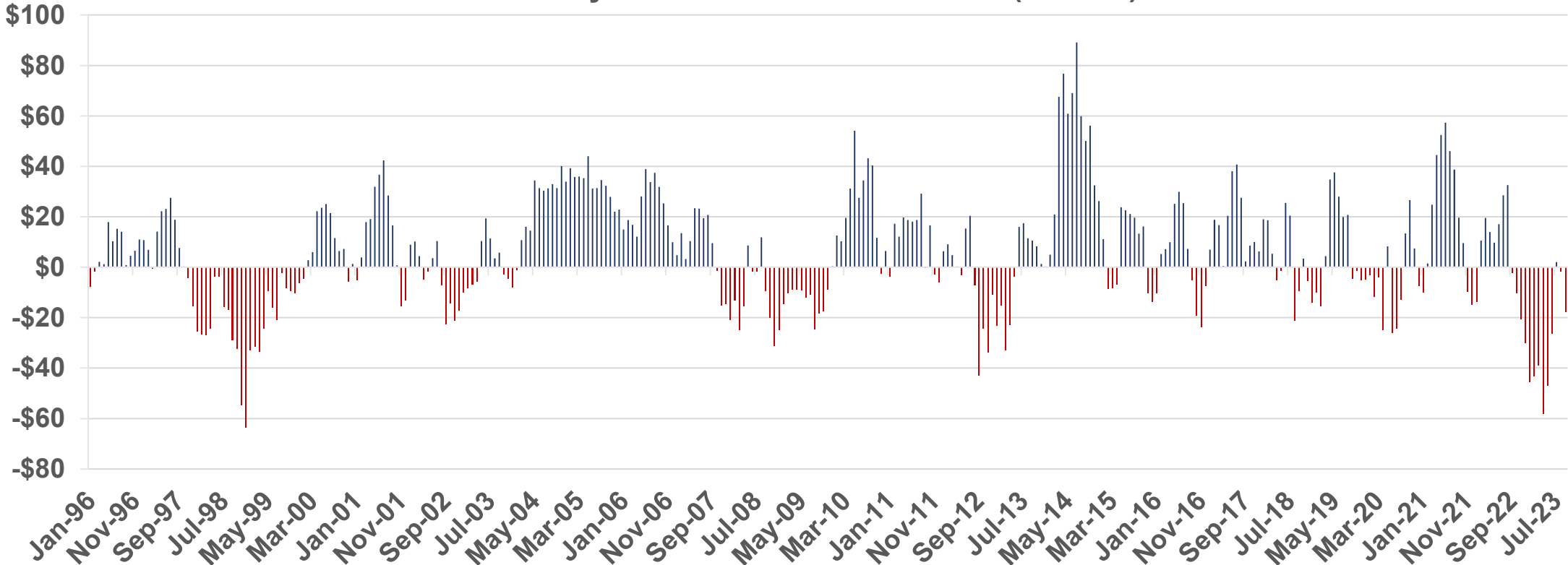


Source: Iowa State University Estimated Returns

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Largest 12-month accumulated losses in history

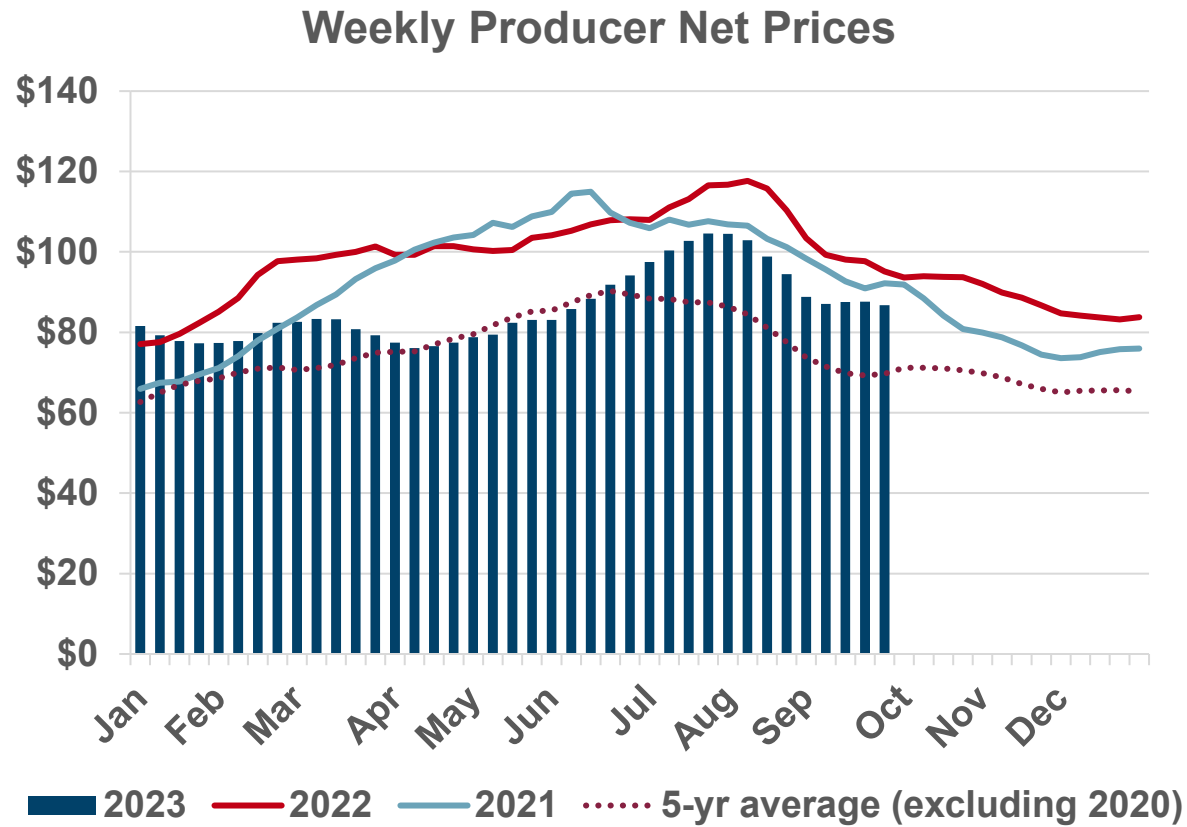
Monthly Farrow-to-Finish Returns (\$/Head)



Source: Iowa State University Estimated Returns
Note: Accumulated losses calculated as farrow to finish return (w/out manure credit) multiplied by monthly slaughter
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Weekly net hog prices averaging 15% lower than 2022



Purchase Type	2022 YTD	2023 YTD	% Change
Negotiated	\$104.78	\$82.11	-22%
Swine or Pork Market Formula	\$101.15	\$83.81	-17%
Other Market Formula	\$97.59	\$87.09	-11%
Other Purchase Arrangement	\$99.10	\$89.26	-10%

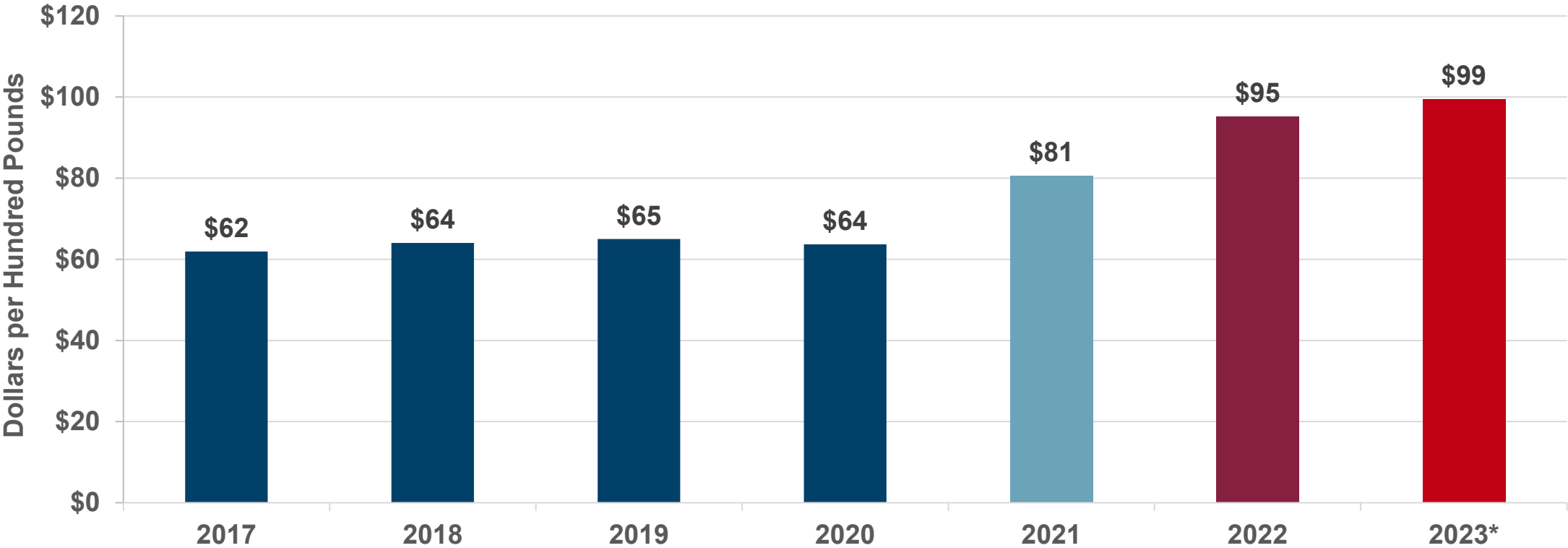


Source: USDA AMS, compiled by LMIC

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Average breakeven price level +56% in since 2020

Average Breakeven Price Level

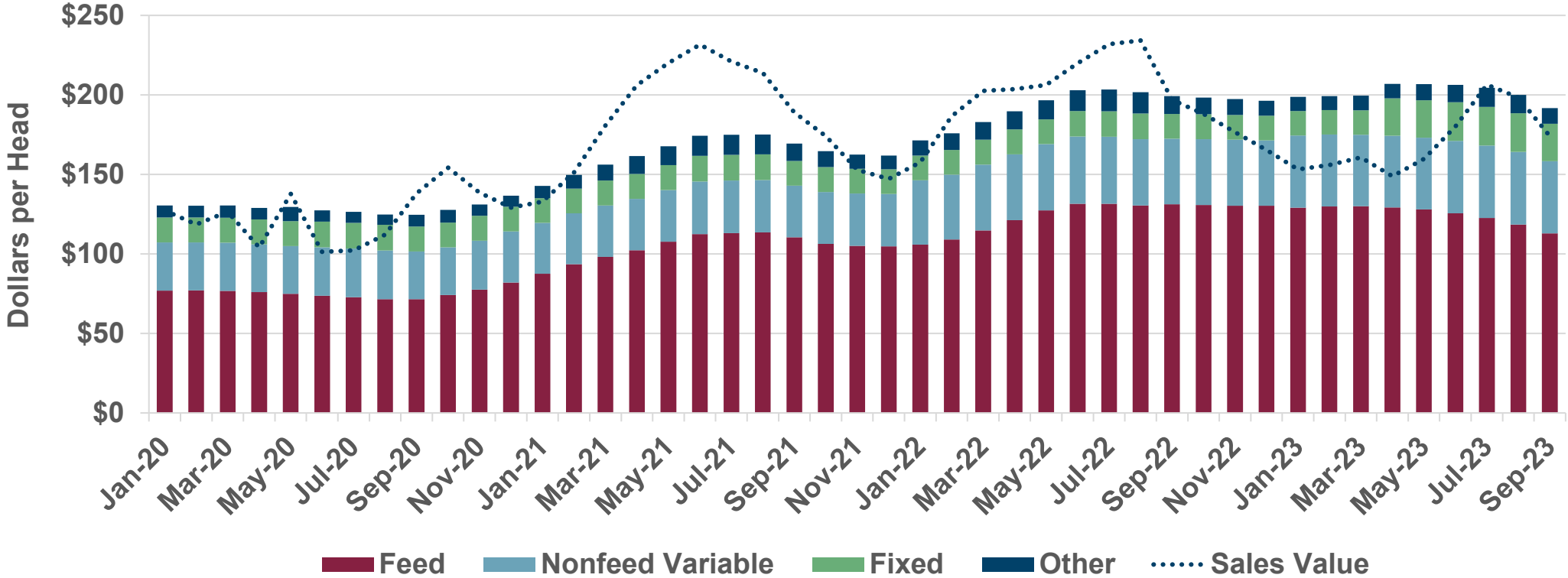


Source: Iowa State University Estimated Returns

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Higher costs for feed, labor, equipment, interest, etc.

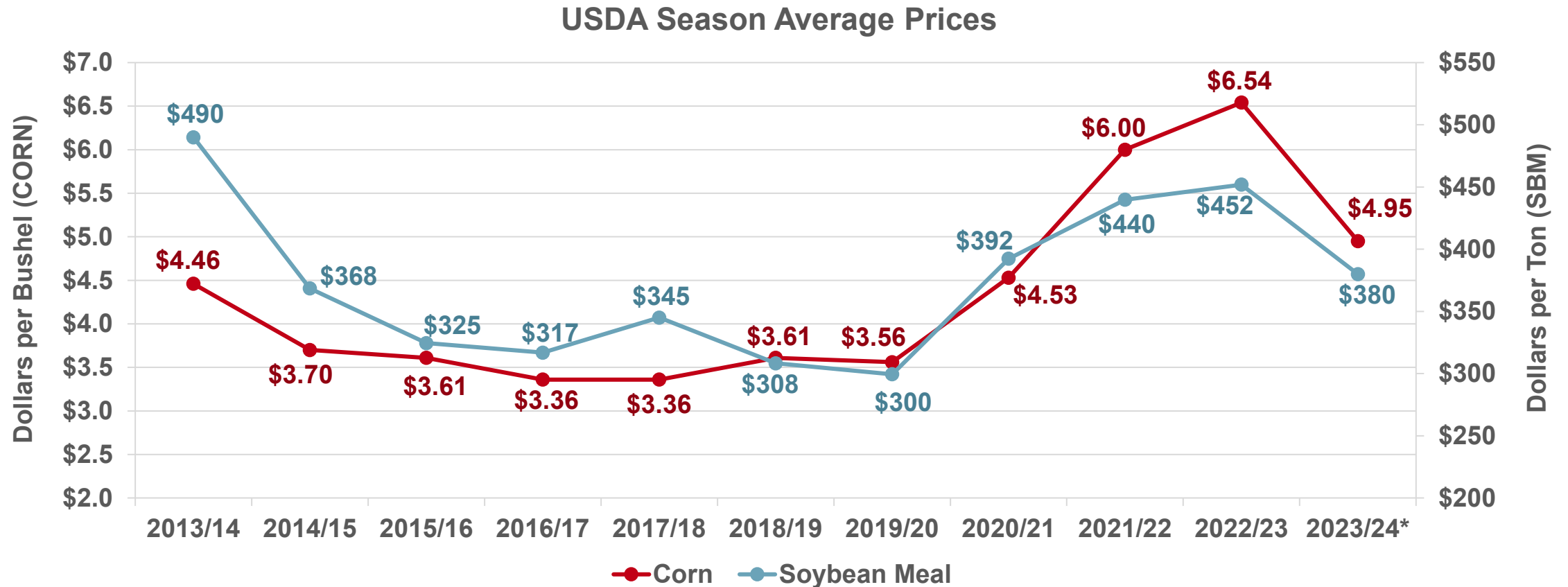
Estimated Cost of Production vs. Sales Value



Source: Iowa State University Estimated Returns

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Feed input prices moving lower, still above average



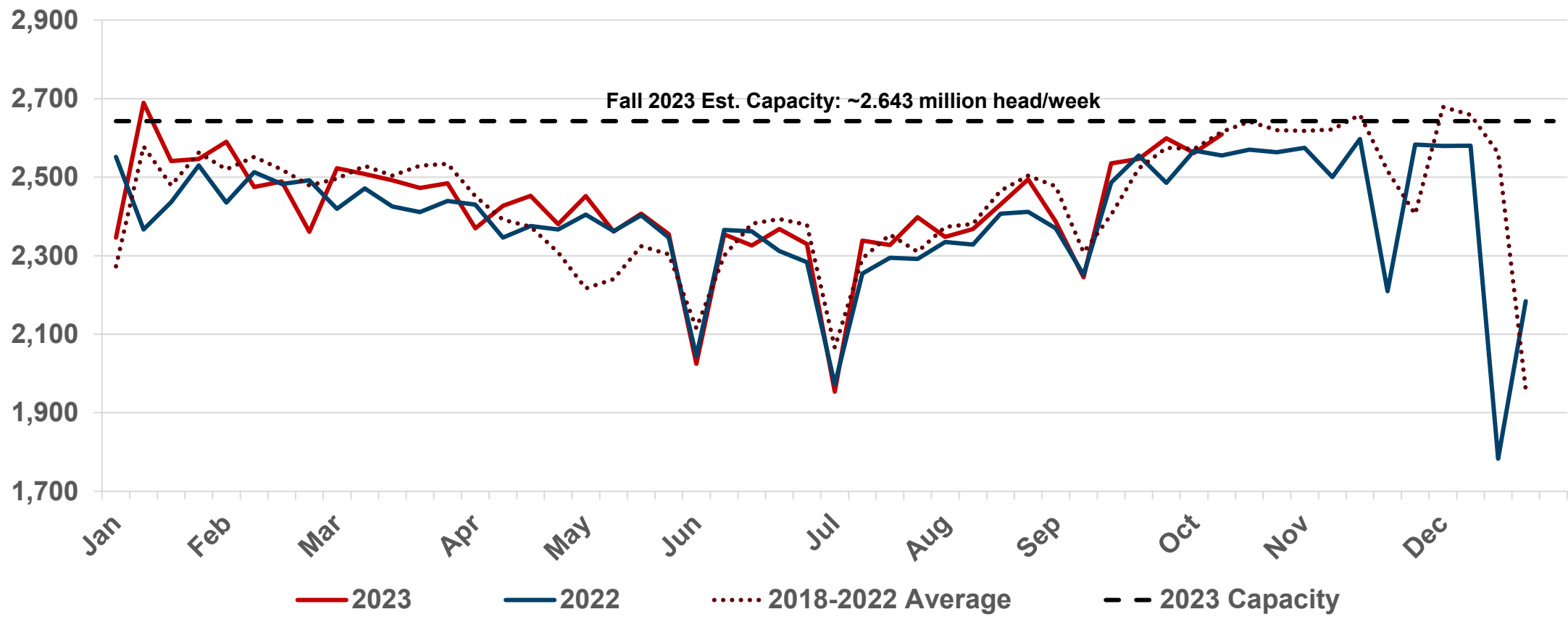
Source: USDA WASDE

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Hog slaughter +1.4% YTD and increasing in Q4



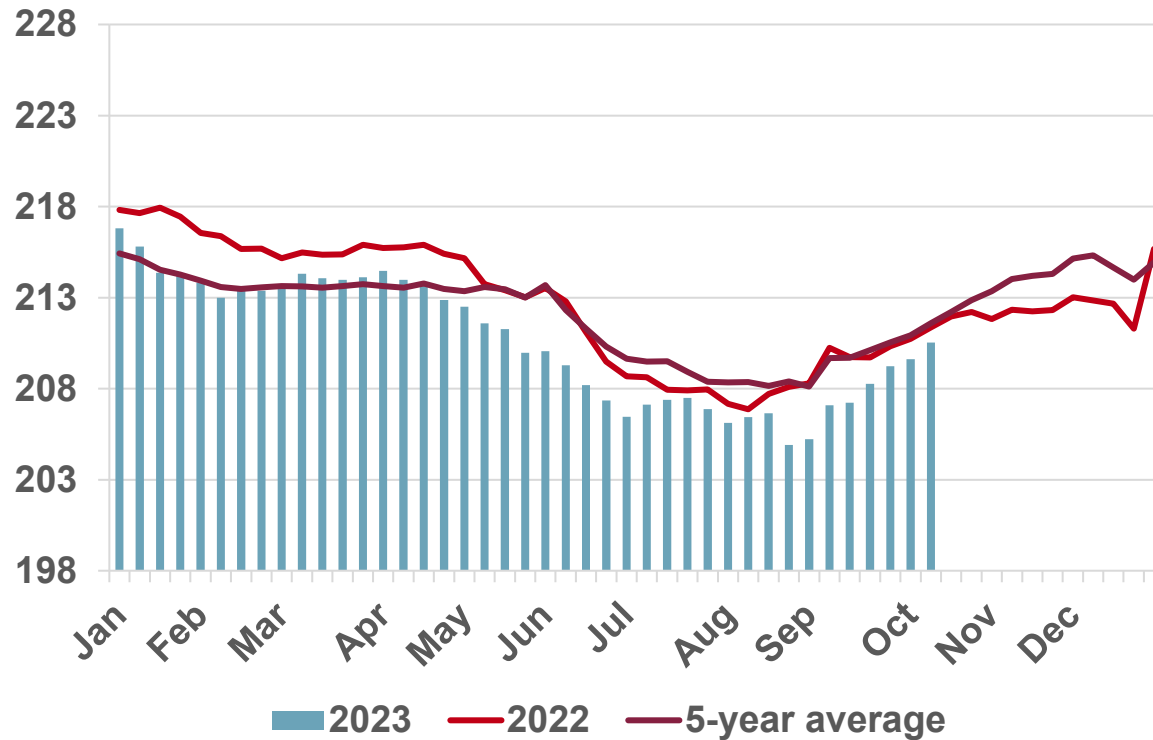
Weekly Federally Inspected Slaughter



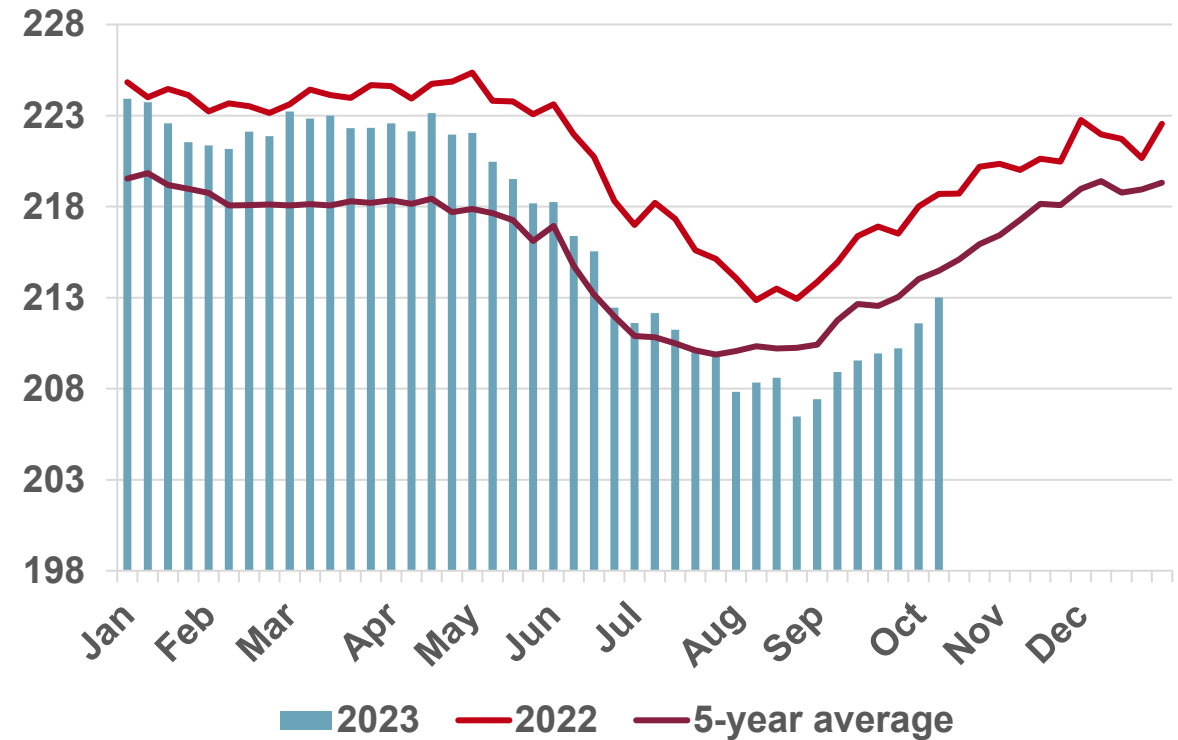
Source: USDA NASS, Dr. Steve Meyer Capacity Estimate
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Weekly carcass weights lower every week this year

Weekly Producer Sold Carcass Weight

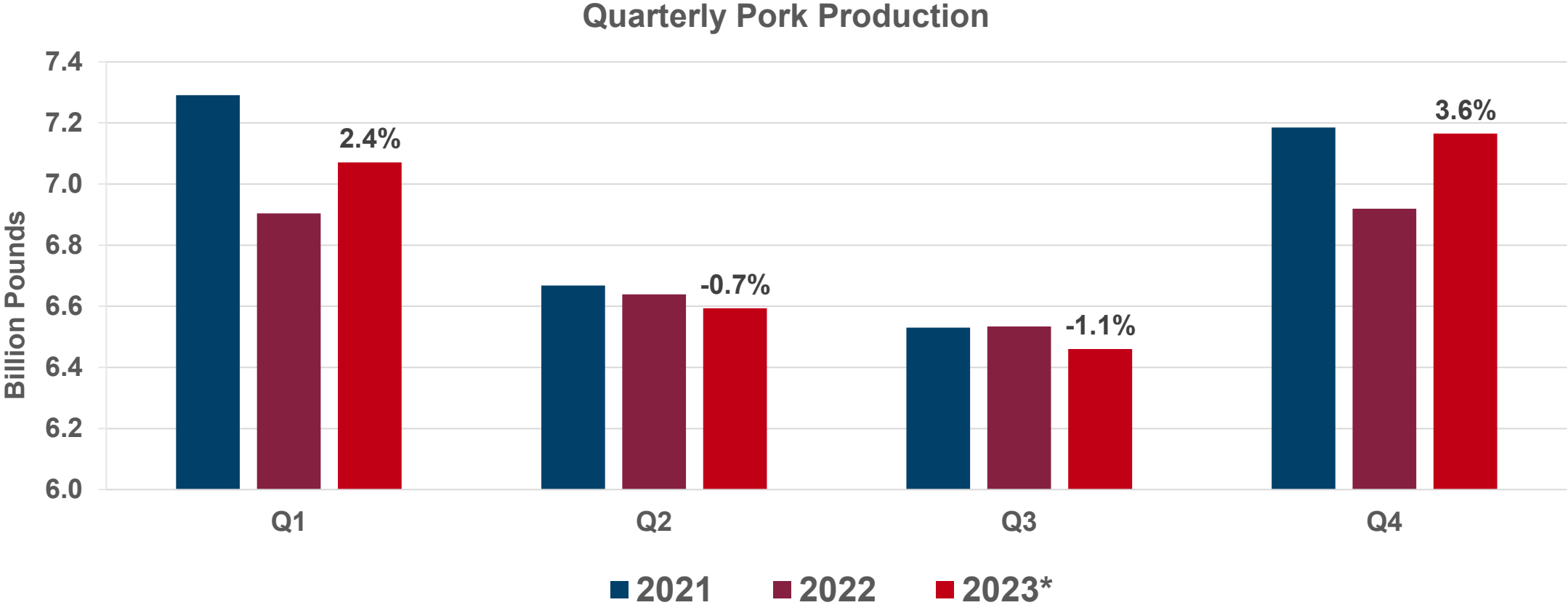


Weekly Packer Sold Carcass Weight



Source: USDA AMS National Daily Direct Hog Prior Day Slaughtered Swine Report
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Pork production +0.2% YTD, expected to be +1.1% annually



Source: USDA WASDE (October)

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Hog and Pork Demand

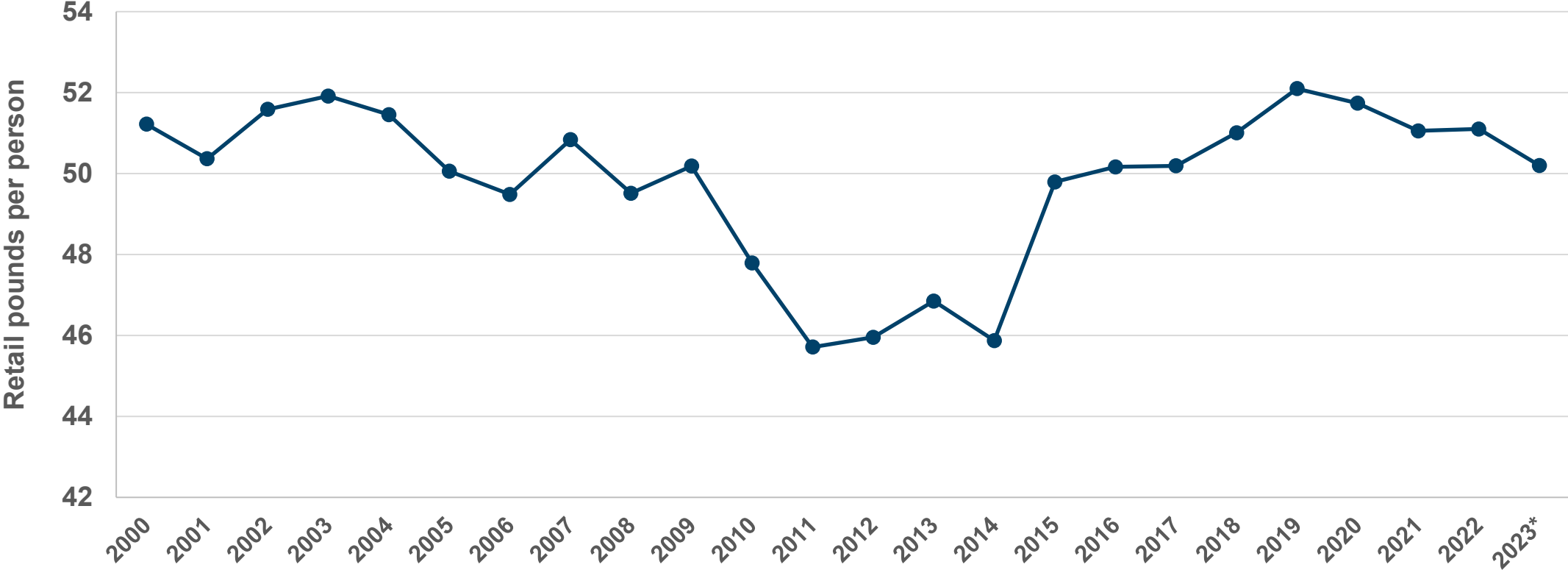


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Per capita pork availability down 1.8%, lowest since 2017

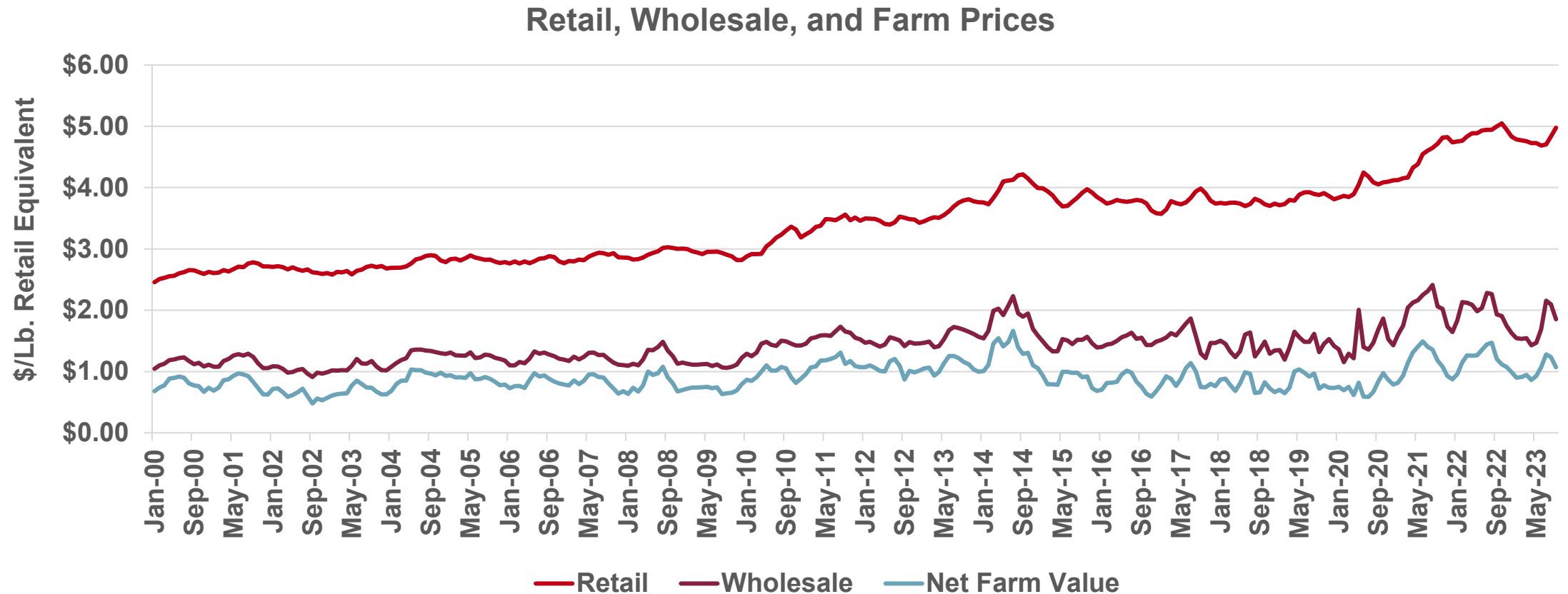


U.S. Pork per Capita Consumption



Source: USDA WASDE
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Nominal pork retail prices down slightly from last year

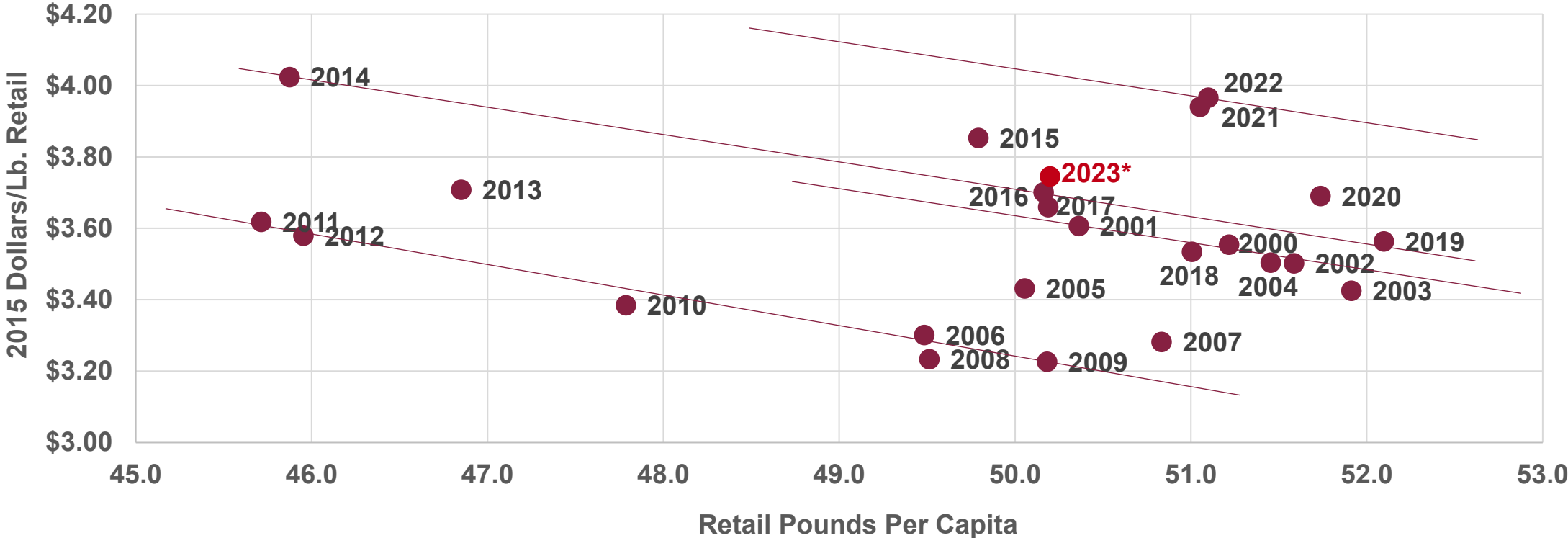


Source: USDA ERS

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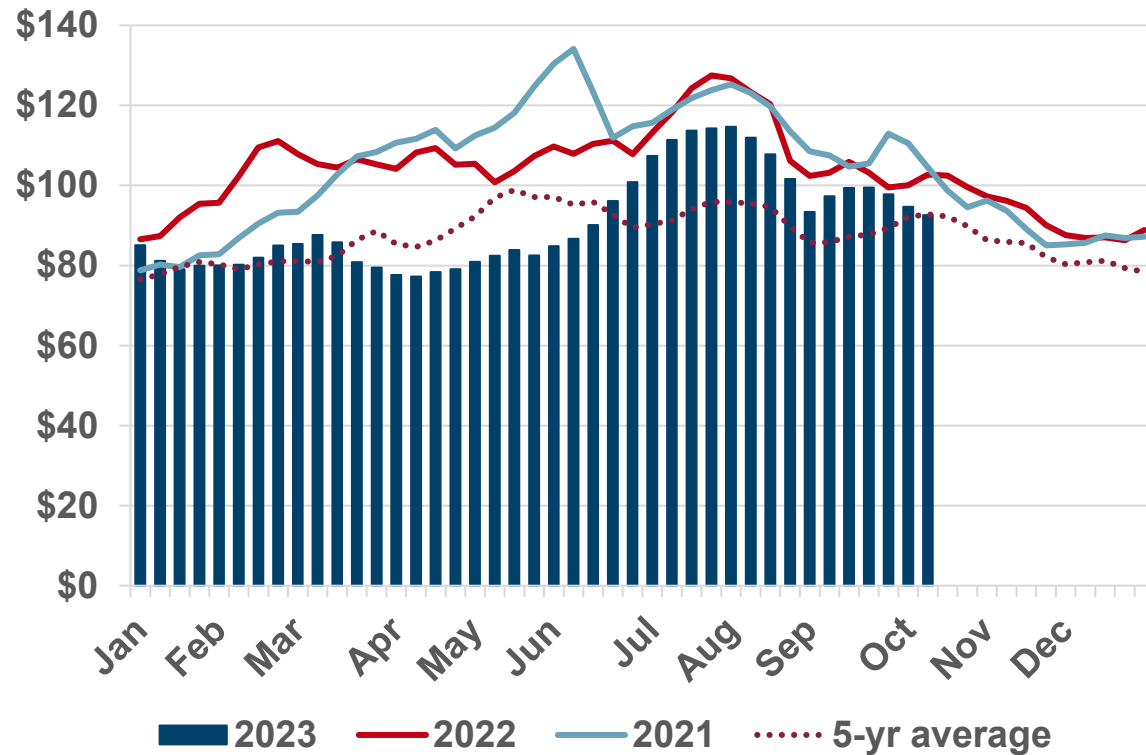
Retail demand appears to be back to pre-pandemic levels

Real Retail Pork Price vs. Per Capita Availability

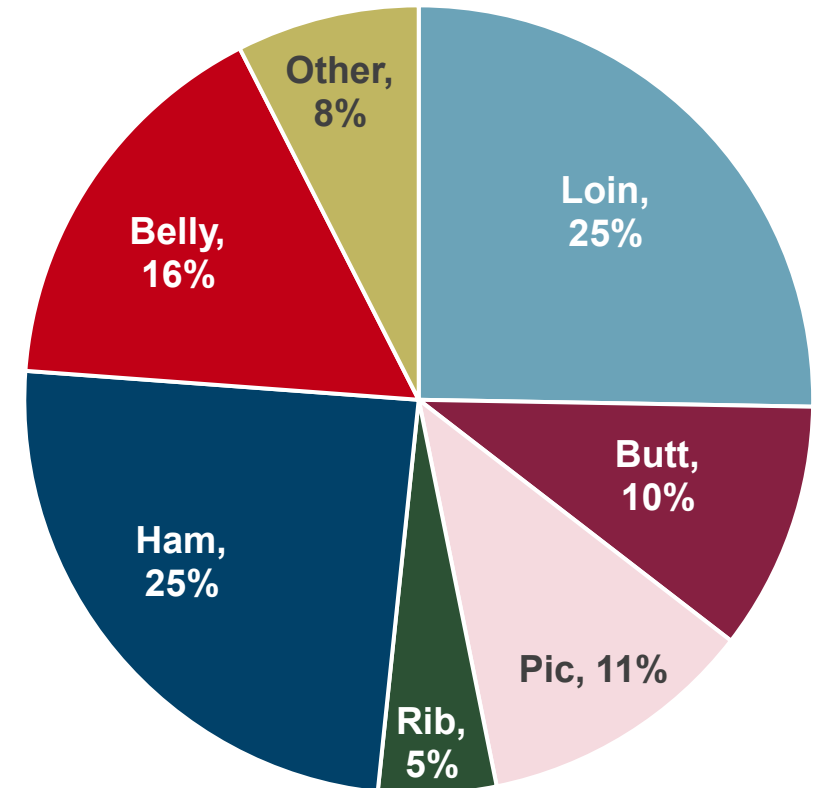


Wholesale pork values also lower in 2023 vs. 2022

Weekly Negotiated Cutout Values (\$/cwt)



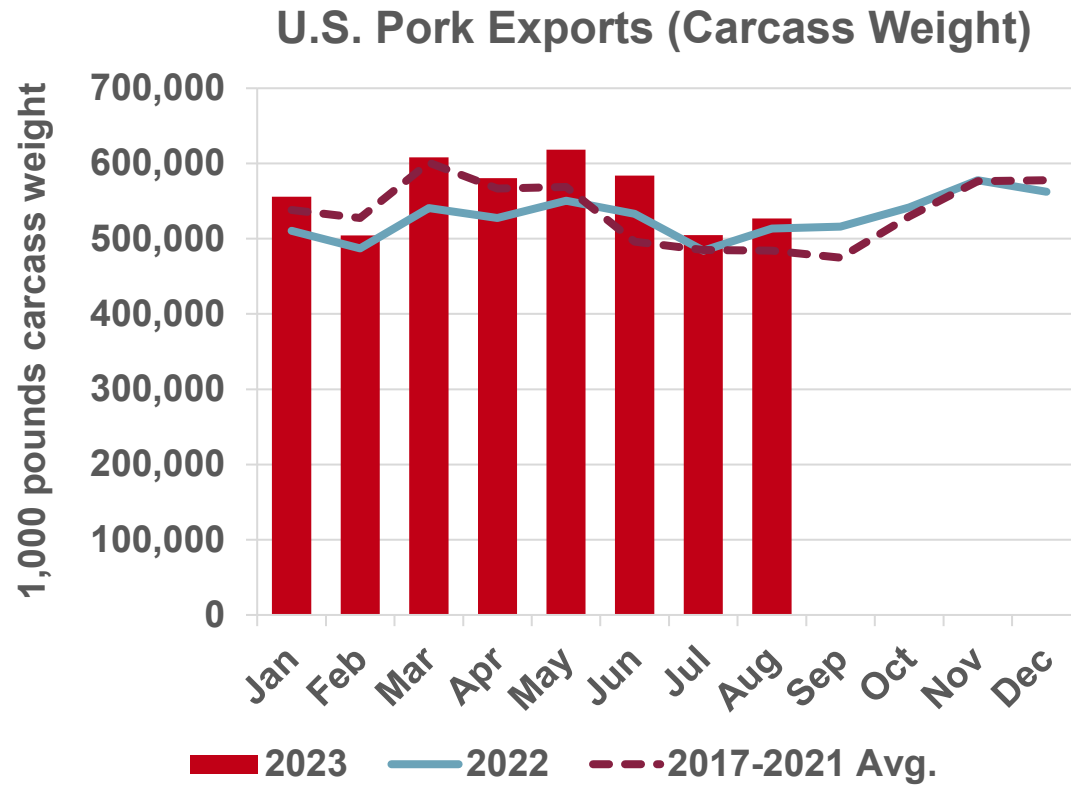
USDA Pork Cutout Yields



Source: USDA AMS, compiled by LMIC

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Pork exports gained momentum in first half of 2023



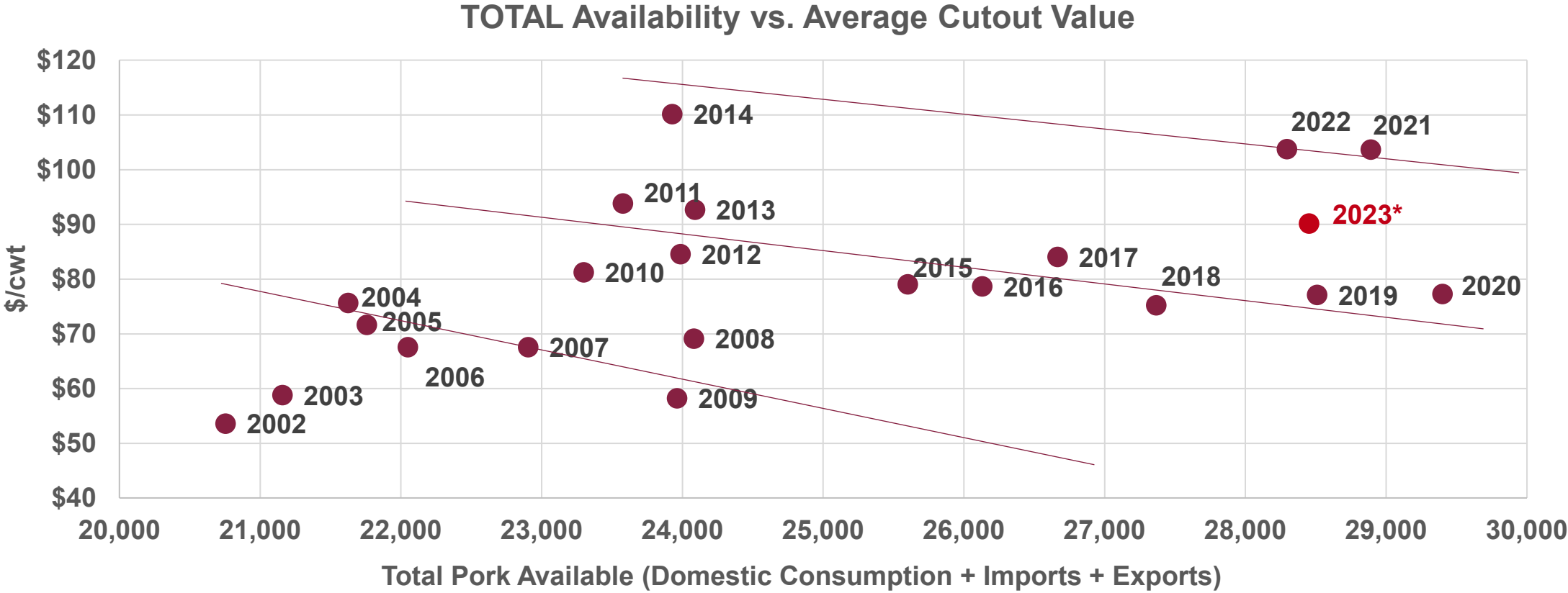
Destination	YTD Change	% of Total
Mexico	+8.1%	36.7%
Japan	+0.7%	16.8%
China/Hong Kong	+1.8%	8.8%
South Korea	+4.2%	8.6%
Canada	+10.0%	7.9%
Dominican Republic	+20.7%	4.2%
Colombia	-17.6%	3.6%
Australia	+68.9%	3.0%
Rest of World	+26.9%	10.5%
TOTAL	+8.1%	100%



Source: USDA ERS Livestock and Meat International Trade Data

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Wholesale pork demand not bad, but a shift from 2021-22



Source: USDA AMS, WASDE, LMIC, FAPRI

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Real consumer incomes declined from Sep '21 to Dec '22

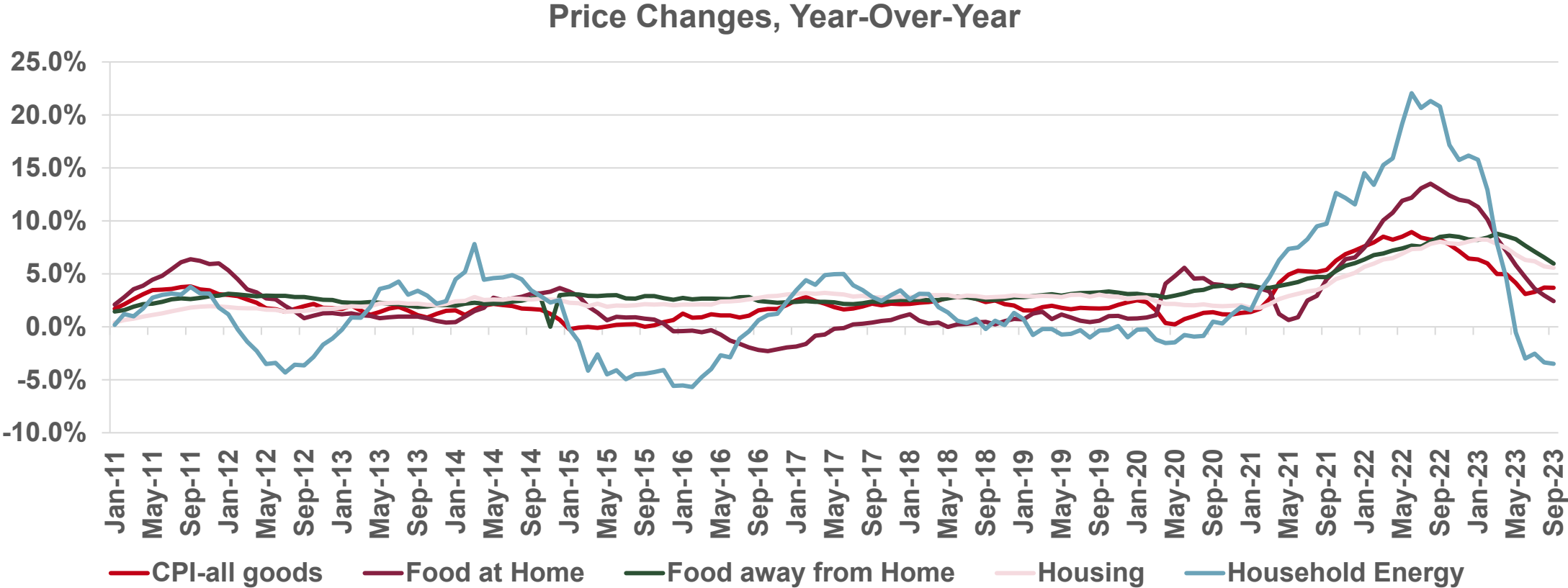
Real Disposable Income Per Capita



Source: St. Louis Federal Reserve

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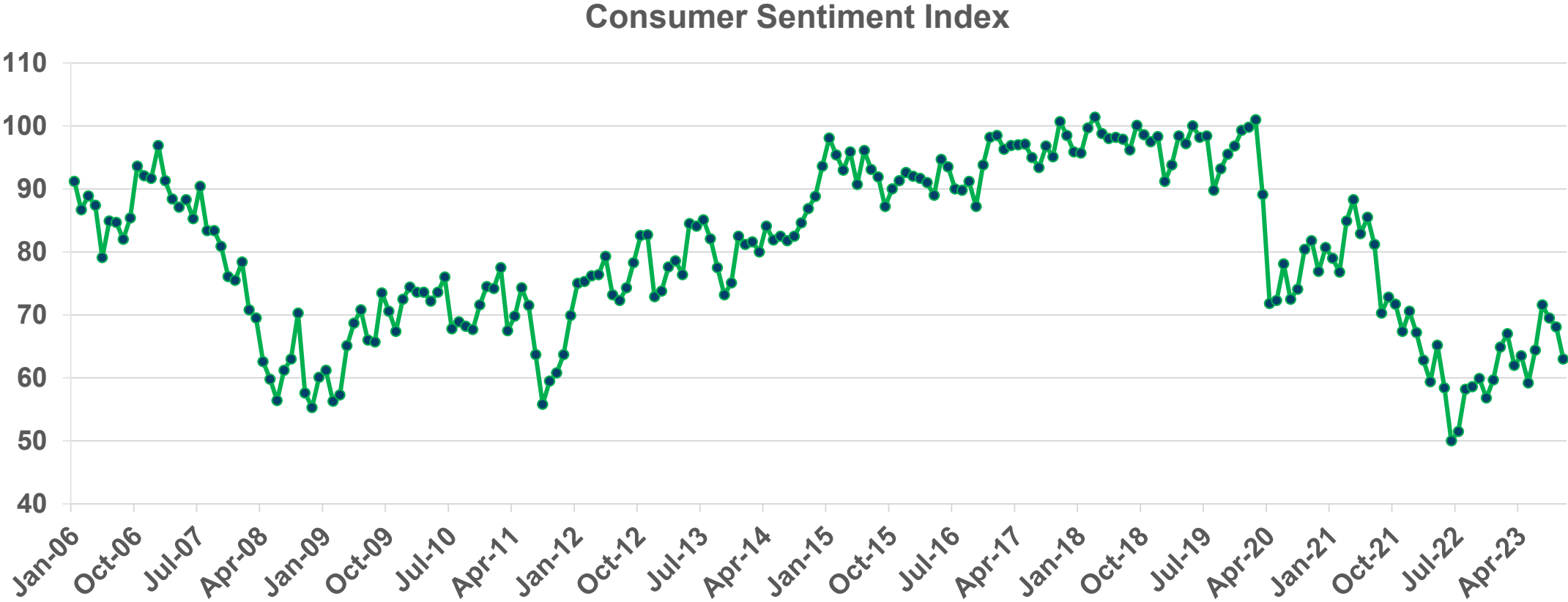
Inflation has cooled, but prices remain high for many goods



Source: BLS Consumer Price Index

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Consumer sentiment is down, but stronger than 2022

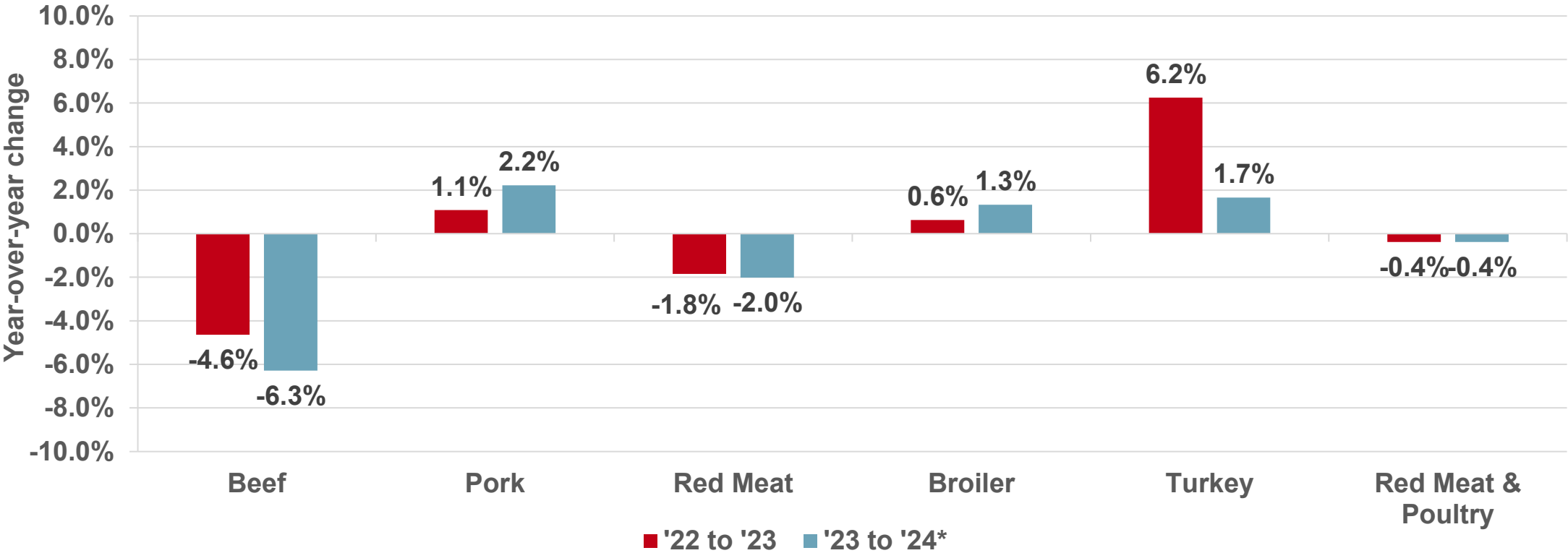


Source: University of Michigan Consumer Sentiment Index

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USDA predicts less protein available in 2023 and 2024

U.S. Meat and Poultry Production Forecasts



Source: USDA WASDE (October)



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Inventories and Sow Slaughter

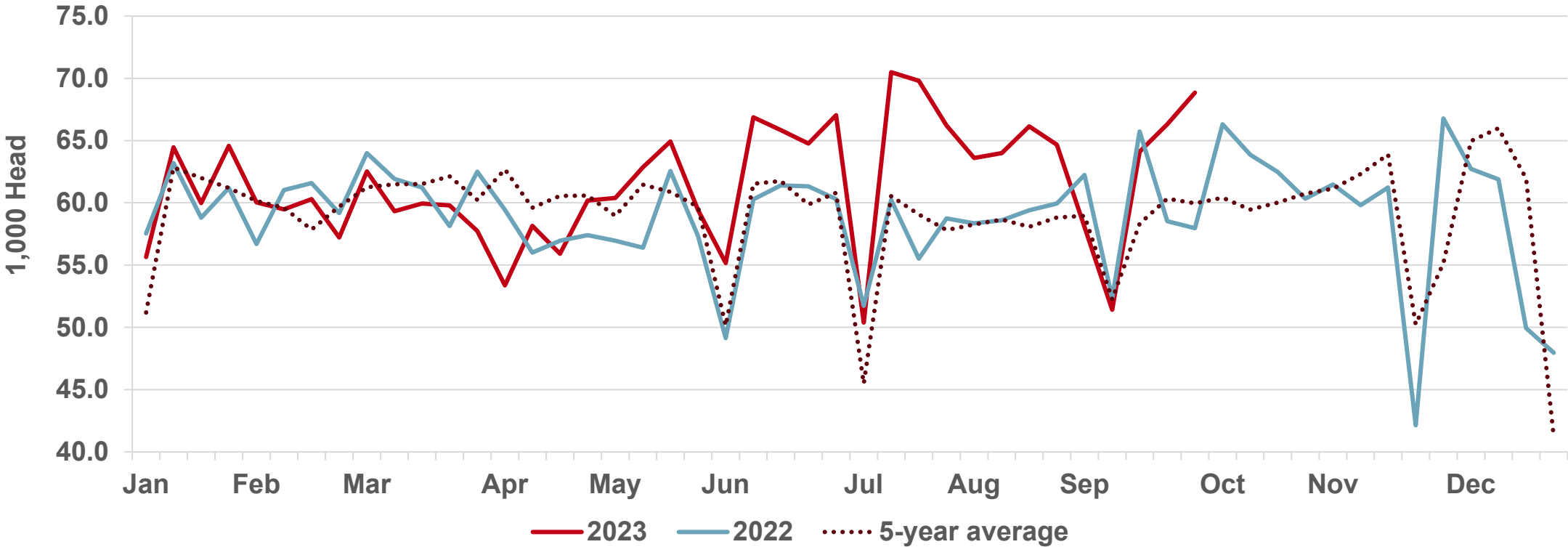


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Last 4 months of sow slaughter +8.7% year-over-year



Weekly Sow Slaughter

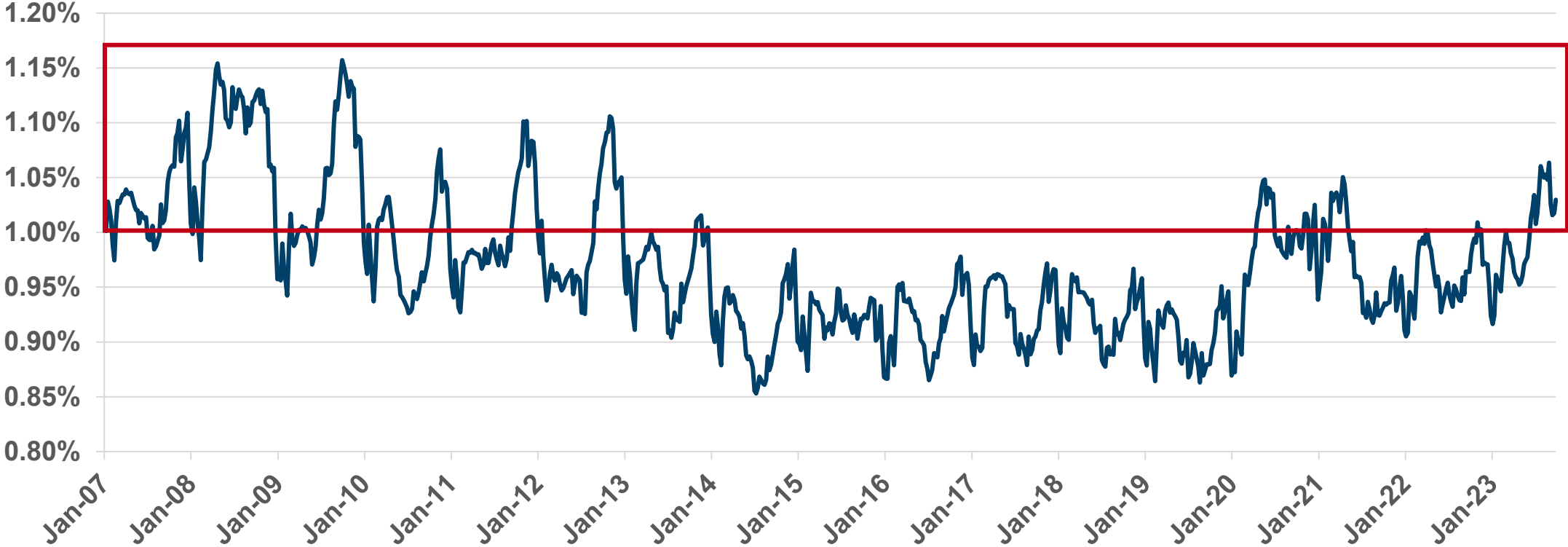


Source: USDA NASS

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Sow slaughter reports indicate some contraction underway

Weekly Sow Slaughter as % of the Breeding Herd (8-week moving average)

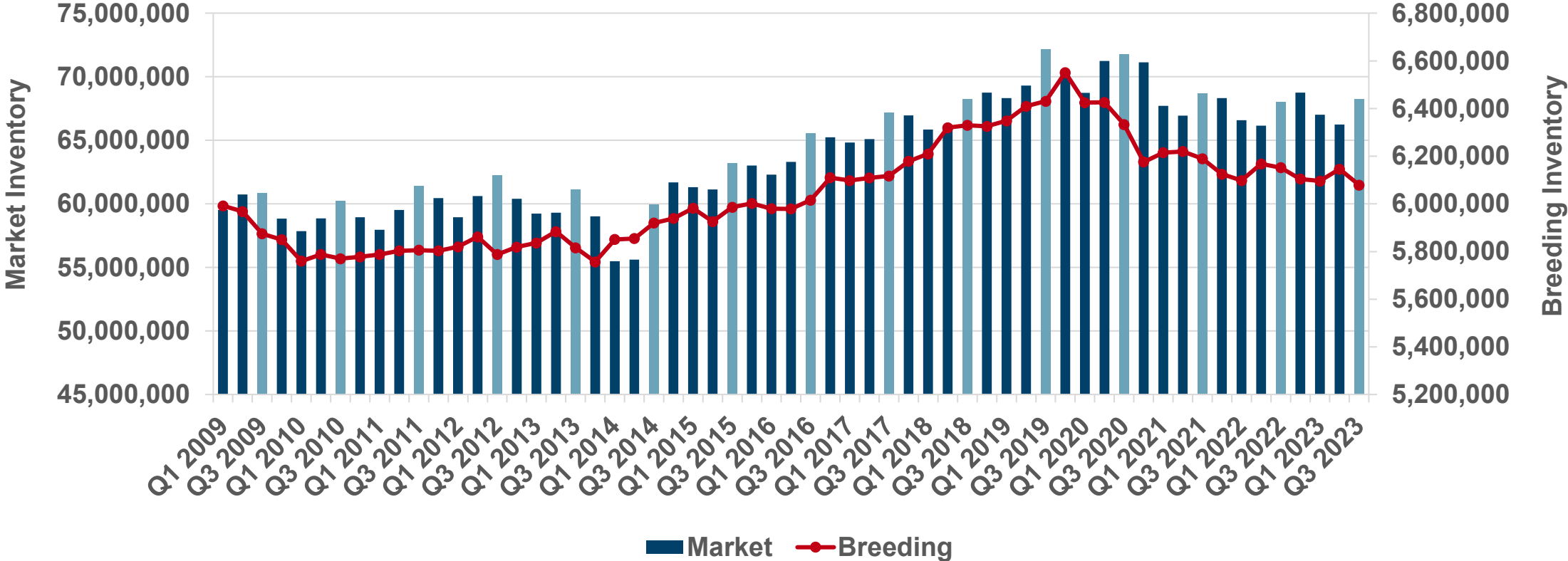


Source: USDA NASS

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U.S. breeding herd is smallest since 2016, total inventory up

U.S. Quarterly Hog Inventory



Source: USDA NASS

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September Hogs and Pigs Report

	Sep. 1, 2023	Sep. 1, 2022	Yr/Yr %	Pre-Report Estimates	Actual vs. Estimated
All Hogs & Pigs (1,000 Head)	74,319	74,125	100.3%	99.3%	+1.0%
Breeding	6,079	6,152	98.8%	98.6%	+0.2%
Market	68,241	67,973	100.4%	99.4%	+1.0%
<50 lbs.	21,913	21,893	100.1%	98.5%	+1.6%
50-119 lbs.	19,756	19,677	100.4%	99.5%	+0.9%
120-179 lbs.	14,110	14,013	100.7%	100.0%	+0.7%
180+ lbs.	12,463	12,390	100.6%	100.2%	+0.4%



Source: USDA NASS

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September Hogs and Pigs Report (continued)

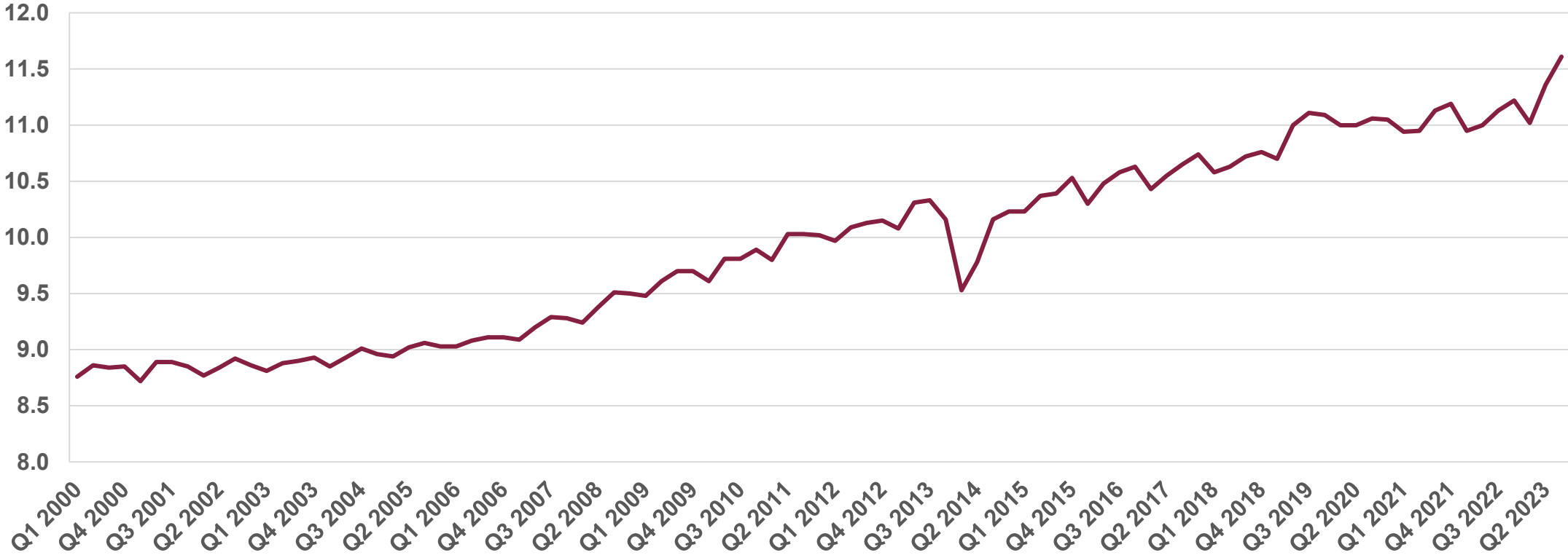
	Sep. 1, 2023	Sep. 1, 2022	Yr/Yr %	Pre-Report Estimates	Actual vs. Estimated
Sows Farrowing June-August	2,949	3,062	96.3%	96.8%	-0.5%
Pigs per Litter	11.61	11.13	104.2%	101.9%	+2.3%
June-August Pig Crop	34,229	34,096	100.4%	98.7%	+1.7%
Sep-Nov Intentions	2,930	3,092	94.8%	96.5%	-1.7%
Dec-Feb Intentions	2,912	2,952	98.6%	97.9%%	+0.7%



Pigs per litter was record-high for June-August 2023



U.S. Pigs Per Litter



Source: USDA NASS

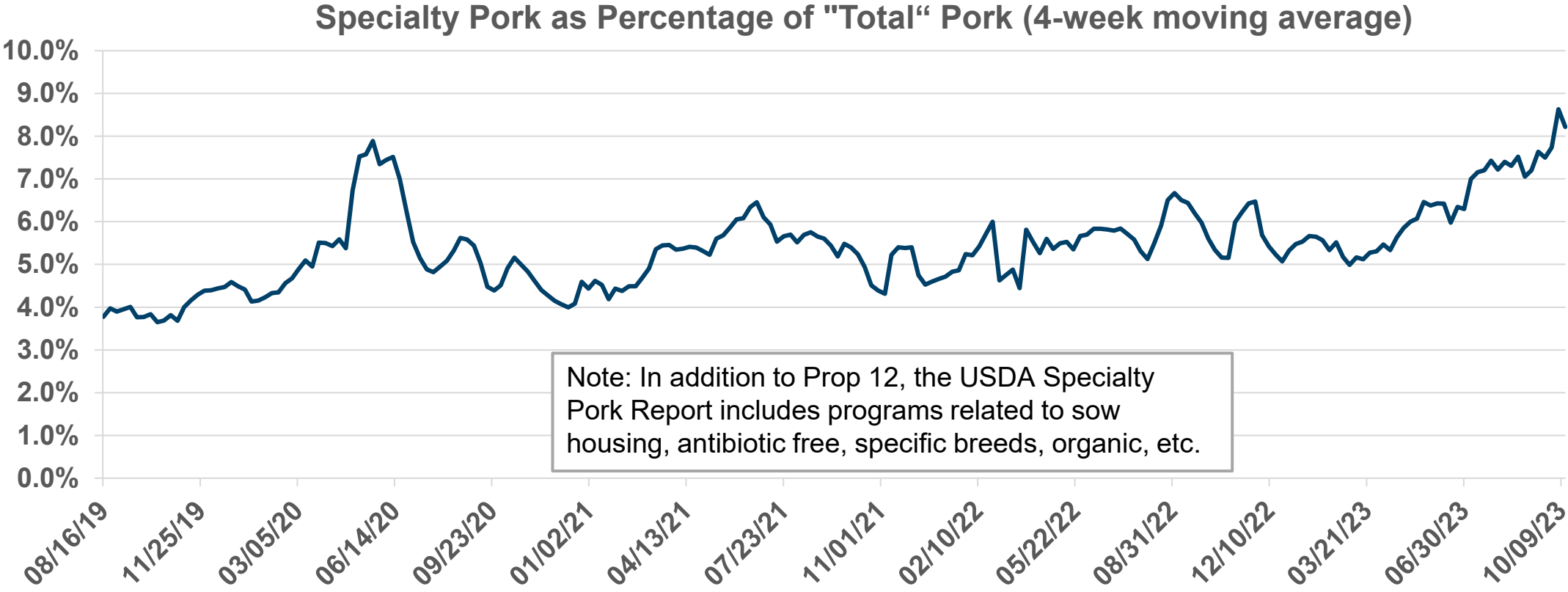
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California's Proposition 12



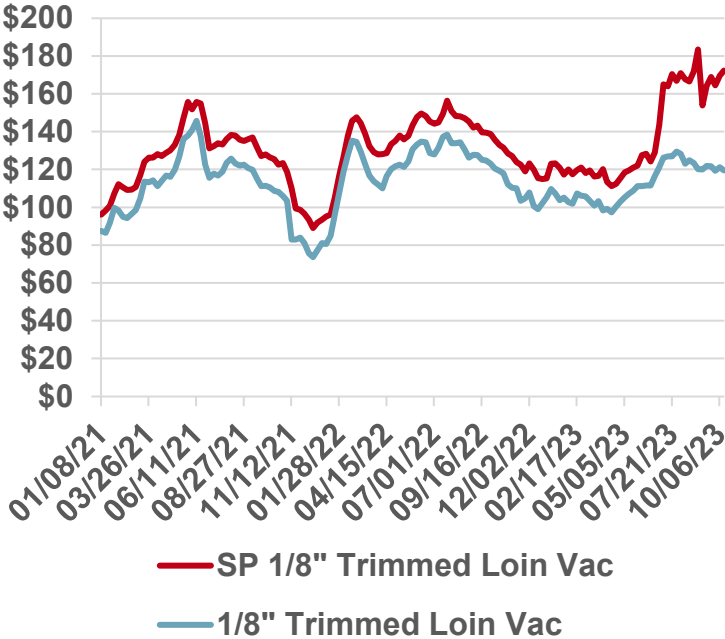
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Specialty pork volume increasing as share of total pork

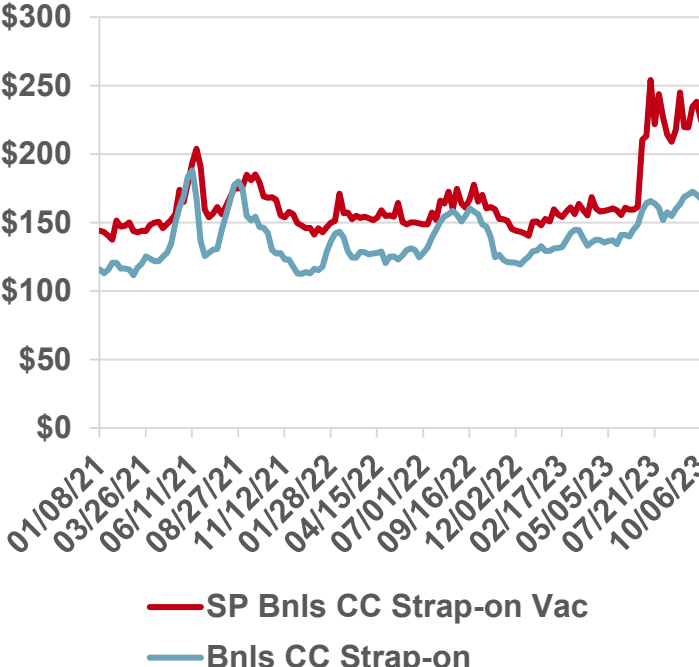


Wholesale prices sharply higher for SOME specialty cuts

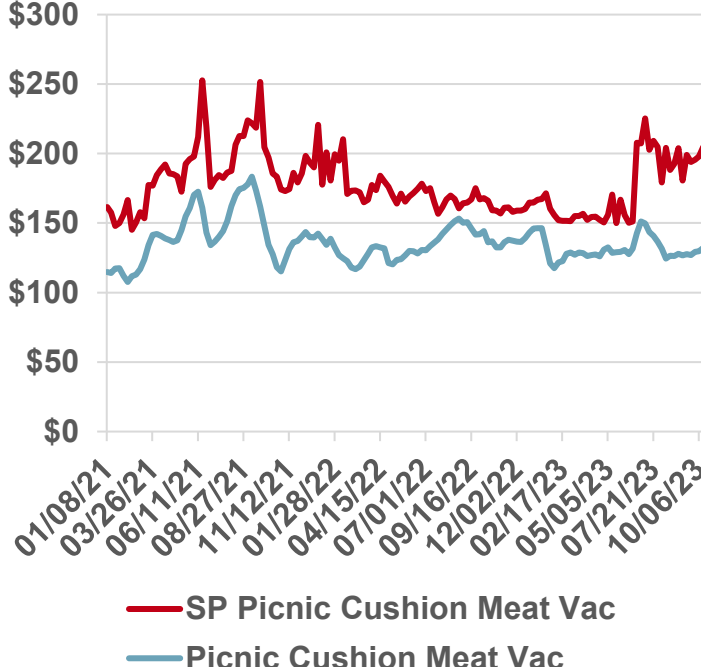
1/8 Trimmed Loin Vac



Bnls CC Strap-on Vac



Picnic Cushion Meat Vac

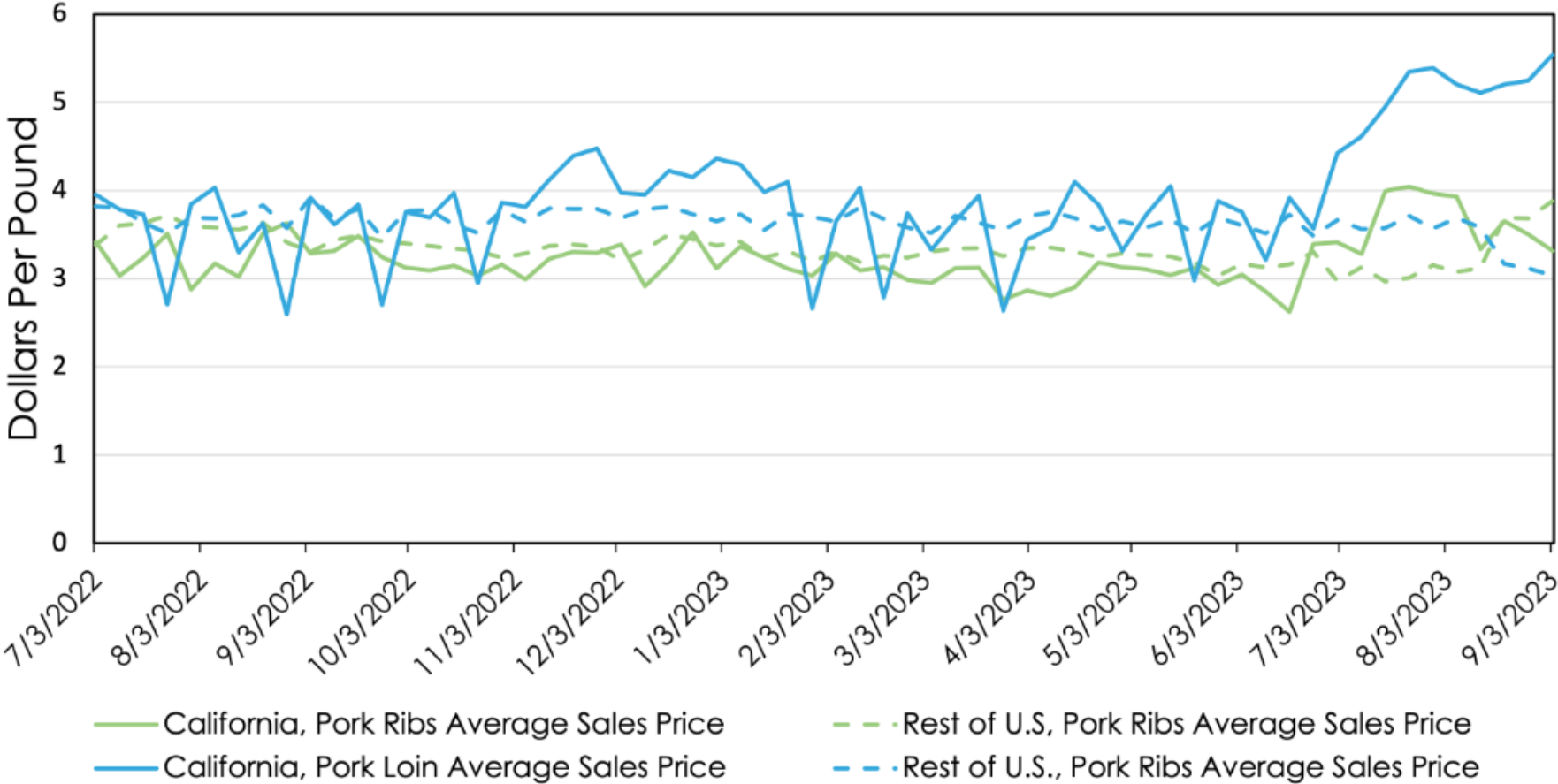


Source: USDA AMS

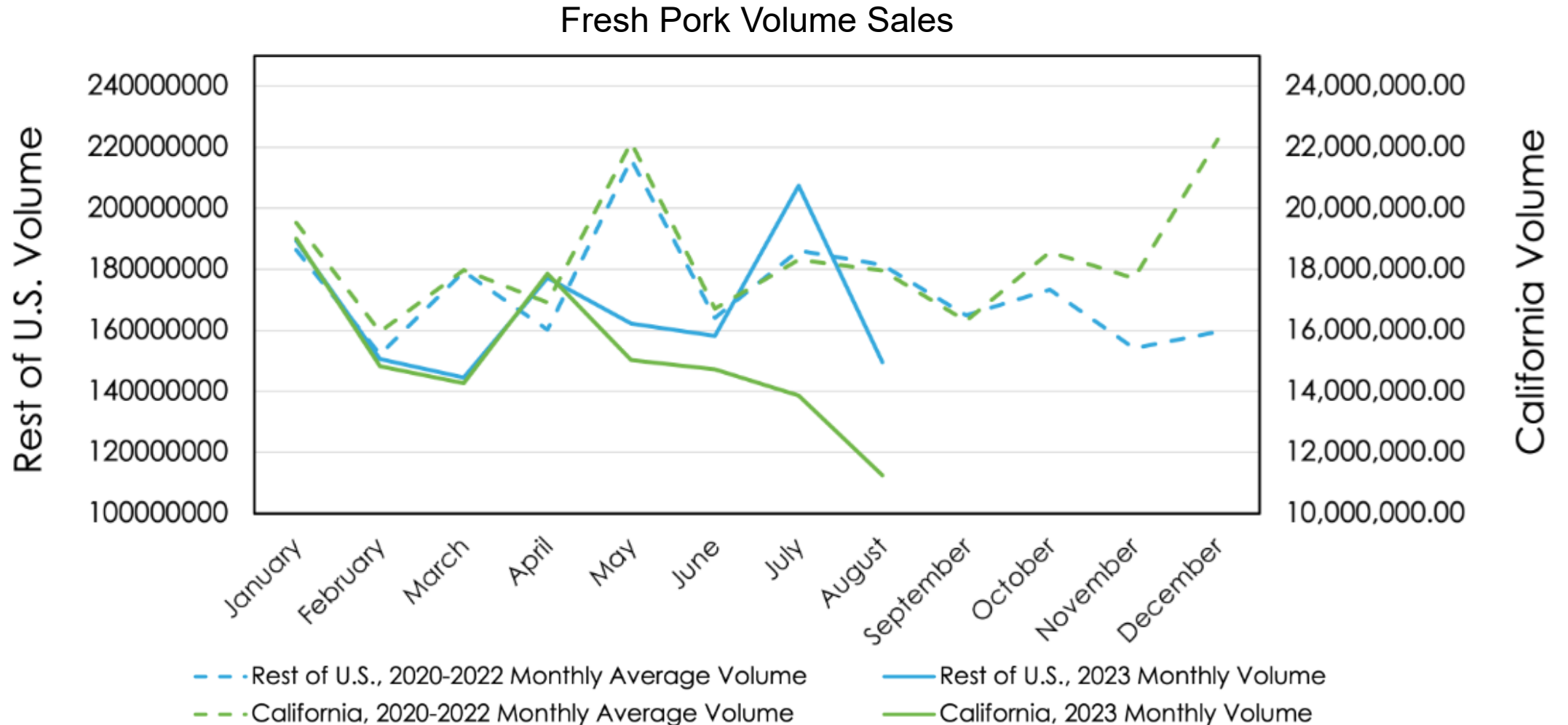
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Early data shows CA prices rising more than rest of U.S.

Pork Rib and Loin Average Sales Price



Early retail data shows a decline in CA sales volume



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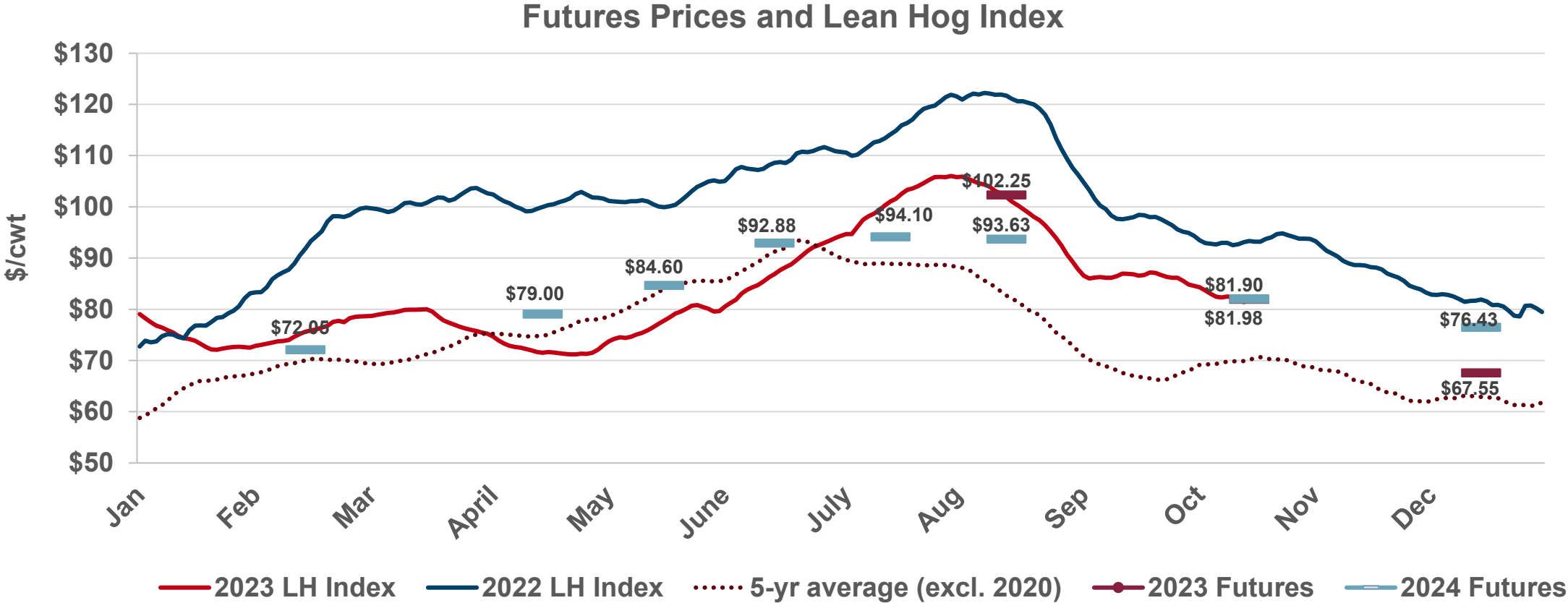
Source: Southern Ag Today; Hannah Hawkins, USDA OCE

Looking Ahead



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Futures curve implies losses could continue until mid-2024



Outlook for Q4 and beyond

- Lower feed prices for 2023/24 crop year
- Increased hog/pork supplies in the near term
- Some continued headwinds for domestic demand
- Global trends and export opportunities
- Prop 12 uncertainty



Note: Statements on price and production levels based on publicly available USDA forecasts

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NPPC Quarterly Economic Updates

NPPC Economic Update Q1 2023

U.S. Pork Industry Snapshot

The United States is a worldwide leader in pork production with 66,000 pig farms producing about 140 million market hogs annually. This level of on-farm production equates to roughly 27 million pounds of pork produced by hundreds of pork packing and processing plants throughout the country. NPPC is the global voice for the U.S. pork industry, representing the interests of pork producers and 42 state pork associations. This quarterly newsletter provides a snapshot of top pork industry issues, current trends and market conditions impacting pig farmers.

In This Issue

- Consumer Pork Demand: Factors to Watch in 2023
- Production Costs Were Record High in 2022, but U.S. Pork Stays Competitive
- U.S. Pork Production: After 2 Years of Decline, USDA Projects Growth in 2023
- The Ripple Effect of Pork Production
- Pork Producers Face Labor Shortages in Rural Areas
- Sources and Contact Information

Consumer Pork Demand: Factors to Watch in 2023

Domestic pork demand has been exceptionally strong over the past two years, which has helped support hog values at the farm level. Continued strength in 2023 will depend on several factors.

The Facts:

Consumer Price Index (CPI) reports show that pork prices increased 1.5 percent over the past year. As of December, the seasonally adjusted inflation rate for all items was 6.4 percent while prices for many consumer necessities were also higher than one year ago:

- Grocery prices were up 11.8%.
- Housing prices were up 8.0%.
- Household energy prices were up 16.2%.

Despite seeing a 4.6 percent increase in **hourly wages**, real average weekly earnings have declined 3.1 percent over the same period, according to the Bureau of Labor Statistics.

Data from the **USDA Economic Research Service** shows that the composite retail pork price peaked at \$5.05 per pound in October but declined in November and December. The amount of **pork available** for domestic consumption was steady from 2021 to 2022 at 51.1 pounds per person.

Why It Matters:

The relationship between pork prices and domestic availability indicates that consumer demand for pork weakened toward the end of 2022 but remains relatively strong compared with the previous five-year average. Going into 2023, factors like rising interest rates and high prices for housing, groceries and other items could further reduce real and disposable incomes for consumers, which could contribute to weaker pork demand. Factors that may support pork demand include the price and availability of other proteins and consumer preferences for pork products.



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U.S. Pork Production: After 2 Years of Decline, USDA Projects Growth in 2023

Pork production broke records in 2020 but has since declined for two consecutive years.

The Facts:

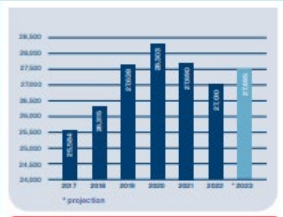
Preliminary estimates show that the United States produced approximately 27.0 billion pounds of pork in 2022, down 2.5 percent from 2021. This is 1.3 billion pounds, or 4.6 percent, less than 2020 production levels.

Declining production is largely the result of a smaller U.S. hog herd and fewer hogs coming to market. The most recent **USDA Hogs and Pigs Report** showed:

- The total number of swine in the United States on Dec. 1 was 73.1 million, the lowest since 2016.
- Since December 2019, producers have reduced the size of the U.S. breeding herd by 400,000 sows, or 6.1 percent.
- The number of market hogs in the United States was down 2.0 percent from December 2021.

Why It Matters:

Initial breeding herd reductions were brought on by losses related to COVID-19, but high production costs, labor shortages and animal health issues have prevented growth in recent years. The December report showed a small year-over-year increase in the breeding herd, but was generally consistent with pre-report expectations of no expansion. Reported market hog inventories imply that hog slaughter could be down about 2 percent for the first half of the year. USDA reports in January projected a 1.8 percent increase in pork production for 2023, with much of that growth coming in the fourth quarter.



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NPPC Economic Update Q2 2023

Pork Industry Snapshot

The United States is a worldwide leader in pork production and contributes significantly to the U.S. economy. The country's 66,000 pig farms, the vast majority of which are family-owned, raise about 140 million market hogs annually, and hundreds of packing plants produce nearly 27 million pounds of pork. Hog and pork production supports more than 610,000 jobs and over \$57 billion in gross domestic product through the value-added activity it supports.

NPPC is the global voice for the U.S. pork industry, representing the interests of pork producers and 42 state pork associations. This quarterly newsletter provides a snapshot of top pork industry issues, current trends, and market conditions impacting pig farmers.

Recent report shows slight increase in U.S. swine herd

After two years of contraction in the U.S. swine herd, a recent report shows that breeding and market hog inventories are slightly above year-ago levels.

The Facts:

According to USDA's **Quarterly Hogs and Pigs Report**, the inventory of hogs and pigs as of March 1, 2023, was:


- 61.3 million breeding animals
- 66.73 million market hogs
- 72.86 million total hogs and pigs

The U.S. breeding herd increased 0.5% year over year but is still about 300,000 sows smaller than the March 2020 breeding herd inventory. Inventories of heavier weight market hogs (180-plus pounds) were up about 2.1%, and lighter weight categories were down slightly from 2022. The total U.S. inventory was 2.1% smaller than Dec. 1, 2022, but 0.2% larger than March 2022.

The report also indicated that producers plan to farrow fewer sows this spring and summer than they did in 2022. March-May intentions were reported down 1.2% and June-August intentions were down 2.9% compared with this time last year despite a larger breeding herd.

Why It Matters:

Current inventories help predict future hog slaughter and pork production levels. According to a **recent USDA report**, pork production increased 2.3% through the first quarter of 2023, which was greater than expected based on the December inventory report. USDA is now predicting a 1.4% increase in pork production for the year with minimal growth in Q2 and Q3 and 2.1% growth in Q4.



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The global voice for the
U.S. pork industry