

With hog slaughter data for February released yesterday, we can now finalize the supply calculations for the Dec-Feb quarter, ahead of the USDA 'Hogs and Pigs' report on March 30. **There is a fair amount of uncertainty regarding the hog breeding herd on March 1 and thus the potential for supply growth later in the year and in 2023.** Despite robust hog prices, high feed costs, disease, domestic non tariff barriers (Prop 12 in CA) and uncertain demand have market participants guessing as what to expect. We do know that the supply of hog breeding stock on December 1 was 6.180 million head, at least that's what the last USDA survey told us and usually that number does not see any significant revisions. To this supply one needs to add the number of sows and boars that were imported from Canada (be this for slaughter or breeding). Based on weekly data, the supply during the 13 weeks of Dec-Feb was 138,700 head, 1.6% less than the previous year.

The two numbers above are only part of the breeding hog supply that's available for the quarter. Producers also retain female pigs (gilts) in order to replace the sows that are no longer productive and need to be culled. That gilt retention rate is unknown, different from cattle for instance, USDA does not collect any statistics on gilt slaughter and the best we can do is try to guesstimate based on the quarterly results. Did producers retain more gilts than the number of sows they slaughtered during the quarter? That has not been the case for the last 9 quarters, at least based on our calculations. While that is possible, one needs to consider some of the factors mentioned above. Proposition 12 has made it more things more difficult as one easy way to comply is to reduce the number of breeding stock in a barn rather than invest the money in new facilities. Since 2015 the implied ratio of gilts retained to sow slaughter has been around 93% for this specific quarter. Last year it was around 98%. If we assume the same this year, it would imply gilt retention under year ago (lower sow slaughter implies fewer gilts retained). Sow slaughter in February was estimated at 239,300 head, 0.8% lower than the previous year. **For the entire quarter, sow and boar slaughter was 821,400 head, 51,100 head or 5.8% lower than the same quarter in 2021.** If all the above numbers are correct, and also adjusting for some herd losses due to disease, etc. We could see the breeding herd on March 1 at about 6.2 million head, not very much different than what it was in December or a year ago.

Producers have stopped liquidating, as shown by the ratio of sow slaughter vs. breeding stock. During Feb-Dec quarter the ratio was 13.3%, back to what it was before the COVID outbreak. Starting to grow, however, would require a more stable market environment, especially with regard to feed costs and domestic and export demand. Getting more pigs per litter, even when the breeding herd was stable, used to be a reliable growth factor. But in the last two years the number of pigs saved per litter has been flat. Disease pressures have clearly impacted productivity and will further add to supply uncertainty going forward.

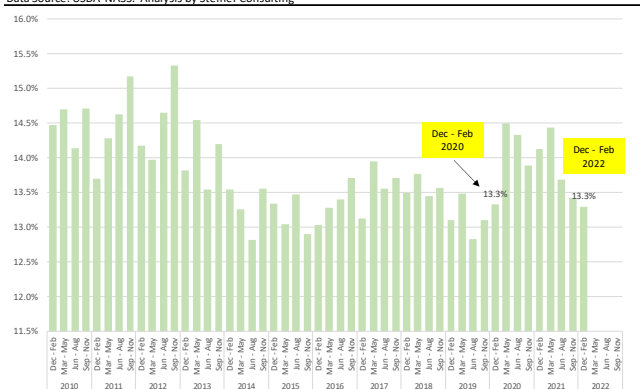
Hogs Kept for Breeding. Quarterly Inventory. '000 Head

Source: USDA-NASS. Analysis by Steiner Consulting



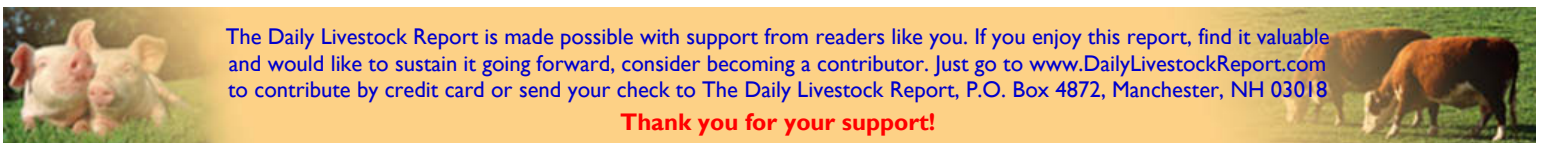
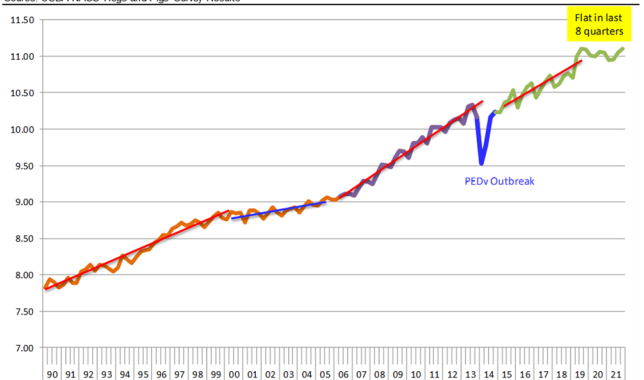
Ratio of Sow Slaughter During Quarter vs. Breeding Stock at Start of the Quarter

Data Source: USDA-NASS. Analysis by Steiner Consulting



Trend in Quarterly Pigs Saved Per Litter

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



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