

Following up on our discussion of the ‘Hogs and Pigs’ inventory yesterday, a couple of additional points that given space constraints could not be covered in that update. First, it should be noted that USDA made some significant revisions to previous estimates. The revisions do not change anything in terms of future outlook, rather they help provide a better comparison baseline when data is released in the future. USDA goes back and updates the inventory numbers based on the number of hogs that eventually show up in the market. Slaughter is the ultimate true-up for statistical errors. COVID disruptions in 2020 and PRRS losses in early 2021 further muddled the supply picture, and contributed to the larger than usual revisions. For USDA statisticians the goal should be to look at potential reasons for the large errors and what can be done to mitigate them in the future. You can read the full list of revisions on page 3. Second, the report implied that **producers have hit the pause button in terms of expansion even as 2021 was largely positive from a financial perspective**. High feed and other input costs remain a challenge. In a call with analysts organized by the National Pork Board, they suggested that current breakevens are in the low 80s. We would argue that given with current corn/meal futures, and the cost of other inputs, such as lysine and fuel, the low 80s may be achieved only by some of the more efficient producers and mid 80s is a better indicator. Such a high cost structure has likely caused some producers to hit the pause button. Export demand is always a big wild card, now more than ever. Two years ago China stressed that their goal was to return to self sufficiency and they have been able to achieve this much more quickly than many thought. In the past we have also talked of non-tariff barriers as a major issue impacting demand. We think that Proposition 12 in California represents a non tariff barrier and we should probably start to think of California as an export market, and just as capricious. Using a balance sheet approach, we calculate that gilt retention during the Sep-Nov quarter was about 12% higher than last year but still about 17% lower than in 2019.

The breeding herd is about at the same level as a year ago and this will tend to cap supply growth although it does not necessarily imply slaughter in the summer and fall of 2022 will be at the same level as in 2021. According to the revised USDA data, the pig crop during Dec-Feb of 2021 was down 8.4% compared to the previous year. This is a function of the breeding decisions made during the COVID summer and fall of 2020 as well as losses incurred due to a new strain of PRRS. Pig crop for the Dec-Feb 2021 quarter was 1% lower than the previous year. Will disease issues subside this year? It is a possibility and if we return to trend levels for pigs saved per litter, we could see an improvement in supply numbers even if the breeding stock is the same as a year ago. Farrowing intentions for Dec-Feb were 0.5% higher than the previous year and we think a +1% growth in pigs per litter is a conservative estimate, implying pig crop growth of 1.5% for Dec-Feb and a similar increase in slaughter during Jun-Aug. Given how tight hog supplies were last summer, that increase is rather modest and helps explain why futures continue to hold firm for the summer months. And if Mar-May farrowings are to be believed, supply growth in the fall will be relatively limited as well.

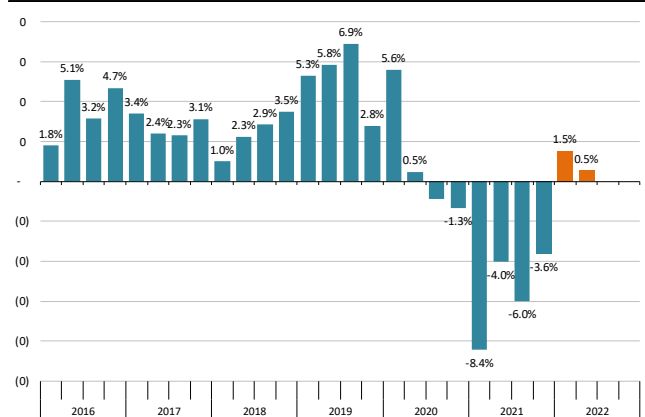
## Hogs Kept for Breeding. Quarterly Inventory. '000 Head

Source: USDA-NASS. Analysis by Steiner Consulting



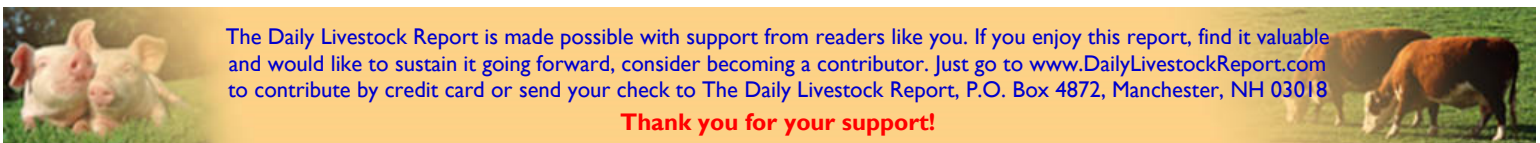
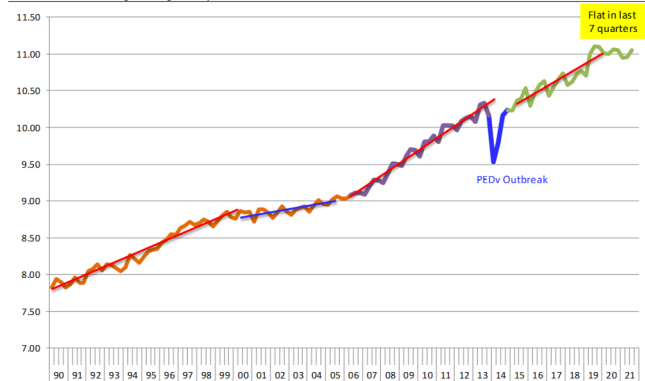
## Y/Y % Change in Quarterly Pig Crop Data. USDA. Last Two Quarters Reflect Estimates

Data Source: USDA-NASS. Analysis and projections by Steiner Consulting



## Trend in Quarterly Pigs Saved Per Litter

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



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## PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **12/25/2021**

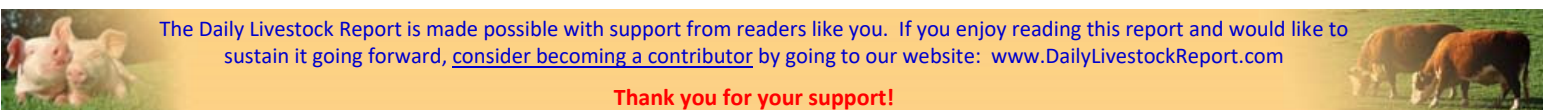
Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change	
		25-Dec-21	18-Dec-21		26-Dec-20				
<b>Total Beef, Pork, Chicken, Turkey</b>	<b>mil lbs., cwe</b>	<b>1,723</b>	<b>2,035</b>	<b>-15.35%</b>	<b>1,626</b>	<b>6.00%</b>	<b>99,135</b>	<b>-0.4%</b>	
<b>C</b>	FI Slaughter	Thou. Head	488	657	-25.72%	416	17.36%	32,656	3.0%
<b>C</b>	FI Cow Slaughter **	Thou. Head	142	143	-0.56%	133	7.21%	6,408	5.7%
<b>T</b>	Avg. Dressed Weight	Lbs.	841	840	0.12%	832	1.08%	828	-0.4%
<b>T</b>	Beef Production	Million Lbs.	409.7	550.6	-25.59%	345.0	18.75%	27,053	2.6%
<b>L</b>	Live Fed Steer Price	\$ per cwt	135.64	137.19	-1.13%	109.19	24.22%		
<b>E</b>	Dressed Fed Steer Price	\$ per cwt	217.30	218.42	-0.51%	171.80	26.48%		
	Oklahoma Steer (600-700 lbs)	\$ per cwt	N/A	162.90	N/A	N/A	N/A		
<b>&amp;</b>	Choice Beef Cutout	\$ per cwt	262.14	262.04	0.04%	209.71	25.00%		
	Hide/Offal	\$ per cwt, live wt	13.62	13.99	-2.64%	9.08	50.00%		
<b>B</b>	Rib Primal, Choice	\$ per cwt	417.08	438.59	-4.90%	360.47	15.70%		
<b>E</b>	Round Primal, Choice	\$ per cwt	217.49	214.13	1.57%	183.52	18.51%		
<b>E</b>	Chuck Primal, Choice	\$ per cwt	216.16	212.72	1.62%	176.85	22.23%		
<b>F</b>	Trimnings, 50%	\$ per cwt	92.21	101.63	-9.27%	32.40	184.60%		
	Trimnings, 90%	\$ per cwt	275.16	274.22	0.34%	204.08	34.83%		
<b>H</b>	FI Slaughter	Thou. Head	1,918	2,645	-27.49%	1,743	10.03%	126,104	-2.1%
<b>H</b>	FI Sow Slaughter **	Thou. Head	62.7	62.8	-0.19%	69.5	-9.85%	3,000	-5.8%
<b>H</b>	Avg. Dressed Weight	Lbs.	218.0	217.0	0.46%	217.0	0.46%	215	-0.2%
<b>O</b>	Pork Production	Million Lbs.	417.3	574.4	-27.35%	377.6	10.51%	27,081	-2.3%
<b>G</b>	Iowa-S. Minn. Base	Wtd. Avg.	60.15	59.96	0.32%	50.77	18.48%		
<b>S</b>	Natl. Base Carcass Price	Wtd. Avg.	73.99	73.31	0.93%	61.91	19.51%		
	Natl. Net Carcass Price	Wtd. Avg.	75.62	74.90	0.96%	63.70	18.71%		
	Natl. Early Wean Feeder	Wtd. Avg.	NQ	54.68	N/A	47.00	N/A		
	Pork Cutout	205 Lbs.	86.89	87.53	-0.73%	69.95	24.22%		
	Ham Primal	\$ per cwt	67.78	74.60	-9.14%	57.09	18.72%		
	Loin Primal	\$ per cwt	81.86	78.56	4.20%	69.84	17.21%		
	Belly Primal	\$ per cwt	123.70	130.71	-5.36%	89.66	37.97%		
	Trimnings, 72%, Fresh	\$ per cwt	67.66	67.25	0.61%	61.17	10.61%		
	Hog By-Product Value	\$ per cwt, live wt	5.06	4.99	1.40%	4.42	14.48%		
<b>C</b>	Young Chicken Slaughter *	Million Head	163.1	166.0	-1.74%	167.2	-2.46%	8,268	-1.4%
<b>H</b>	Avg. Weight (RTC)	Lbs.	4.86	4.87	-0.31%	4.82	0.79%	6.37	0.9%
<b>I</b>	Young Chicken Production (RTC)	Million Lbs.	792.2	808.7	-2.05%	805.8	-1.69%	40,024	-0.5%
<b>C</b>	Eggs Set (19-state)	Million	237.5	239.9	-1.01%	235.4	0.91%	12,098	2.6%
<b>K</b>	Chicks Placed (19-state)	Million Head	188.6	187.1	0.79%	188.5	0.02%	9,454	0.4%
<b>E</b>	National Composite Whole Bird	Composite	128.34	124.32	3.23%	81.02	58.41%		
	Northeast Breast, B/S	\$/cwt	206.46	200.47	2.99%	93.95	119.76%		
	Northeast Leg Quarters	\$/cwt	36.46	37.58	-2.98%	27.46	32.77%		
<b>T</b>	Total Turkey Slaughter *	Million Head	3.938	3.876	1.60%	3.519	11.91%	194.380	-5.3%
<b>U</b>	Avg. Weight (RTC)	Lbs.	26.39	26.27	0.47%	27.63	-4.48%	31.92	-0.1%
<b>R</b>	Turkey Production (RTC)	Million Lbs.	103.9	101.8	2.08%	97.2	6.90%	4,978	-5.3%
<b>K</b>	National Hen (8-12 lb)	8-16 Lbs.	131.25	124.31	5.58%	106.05	23.76%		
<b>G</b>	Corn, Omaha	\$ per Bushel	6.11	5.98	2.17%	4.39	39.18%		
<b>R</b>	Soybeans, Cntrl IL	\$ per Bushel	13.44	12.94	3.86%	12.69	5.91%		
<b>A</b>	Soybn Meal 48%, Cntrl IL	\$ per Bushel	409.50	392.40	4.36%	418.70	-2.20%		
<b>I</b>	Distillers Grain, IL	\$ per Bushel	NQ	192.50	N/A	NQ	N/A		

\* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

\*\* Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

\*\*\* Please note that the number of business days is different from one year to the next, which affects the YTD calculation



## **USDA Revisions in the December 2021 'Hogs and Pigs' Report**

### **Revisions**

All inventory and pig crop estimates for December 2019 through September 2021 were reviewed using final pig crop, official slaughter, death loss, and updated import and export data. The revision made to the September 2021 all hogs and pigs inventory was 1.0 percent. The net revision made to the June 2021 all hogs and pigs inventory was 3.3 percent. A net revision of 1.0 percent was made to the March-May 2021 pig crop. The net revision made to the March 2021 all hogs and pigs inventory was 1.1 percent. A net revision of 3.6 percent was made to the December 2020-February 2021 pig crop. The net revision made to the December 2020 all hogs and pigs inventory was 0.2 percent. A net revision slightly upward was made to the September-November 2020 pig crop. The net revision made to the September 2020 all hogs and pigs inventory was 1.3 percent. The net revision made to the June 2020 all hogs and pigs inventory was 2.5 percent. A net revision of 0.9 percent was made to the March-May 2020 pig crop. The net revision made to the March 2020 all hogs and pigs inventory was 3.2 percent. A net revision of 0.8 percent was made to the December 2019-February 2020 pig crop. The net revision made to the December 2019 all hogs and pigs inventory was 0.7 percent. A net revision of 4.3 percent was made to the September-November 2019 pig crop.