

7-2015

## Perspective Makes a Difference

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# Perspective makes a difference

**U**SDA'S June Hogs and Pigs Report told us where the industry is and where it may be headed. The report showed a big surge in inventories compared to the PEDV-depressed levels a year ago. But inventories aren't that far out of line with June 2013 levels prior to PEDV.

Total inventory of hogs and pigs on U.S. farms at June's start was 66.9 million head, up 8.7% from a year earlier and up 2.6% from two years earlier. The breeding herd inventory, at 5.926 million head, was up 1.2% compared to 2014 and up 0.7% compared to 2013. The market hog inventory, at 60.975 million head, was up 9.4% from last year and up 2.8% from two years ago.

The market weight breakdown gives a good indication on how the industry will unfold in the next several months. Market hogs over 180 pounds were up 13.4%, over 3% higher than expectations, but actually closer to slaughter numbers the industry has been seeing than the trade guesses.

Market hogs in the 120- to 179-pound



## Hog Outlook

BY LEE SCHULZ

category were up 11.5%; 50 to 119 pounds, up 8.7%; and under 50 pounds, up 6.6% compared to a year ago. Market hogs at 120 to 179 pounds were 1.8% above trade expectations, while market hogs under 50 pounds were 1.4% below expectations. Year-to-year percentage increases in market hog inventories are front-loaded for the next several months.

The March-May pigs saved per litter, at 10.37 pigs, was up 6% compared to 2014. The March-May sows farrowing, at 2.850 million head, was up 1.4% compared to a year earlier. Thus, netting a 7.5% increase in the March-May pig crop, but it was only 2.2% above 2013 levels.

June-August 2015 sows farrowing, at 2.915 million head, would be down 2.5% compared to a year ago, and September-November 2015 sows, farrowing, at

2.865 million head, would be down 4.3%. Comparison to 2014 levels alone has an impact on interpretation of these farrowing intention estimates. Potential for large profits and the opportunity to offset losses from PEDV encouraged producers to maximize sows farrowing. In fact, June-August 2014 and September-November 2014 sows farrowing were the largest since the June-August 2009 period. Farrowing intentions for June-August and September-November are 0.9% and 3.1%, respectively, above 2013 levels.

### Why are hog prices lower?

If inventories are not that far out of line with June 2013 levels, why are hog prices lower than in 2013 and much lower than last year? Current inventories would translate to higher prices if everything else remained unchanged. However, pork production in 2015 is forecast to be 6% to 8% above 2014, and 4% to 6% above 2013. Heavier carcass weights have contributed to larger pork production. Average carcass weights in 2015 are forecasted to be 213.1 pounds versus 213.9 pounds in 2014 and

207.2 pounds in 2013.

With the increased production, pork prices have moderated for consumers. Retail composite pork prices as measured by USDA peaked in 2014 at \$4.02 per pound, a 10% increase for the year. Highest monthly prices were reached in September 2014 at \$4.22 per pound. Since then, they've fallen each month to \$3.70 per pound in April 2015, a 14% drop from the peak. However, retail pork demand remains strong. The per capita consumption increase has been enough to offset the price decrease and allow overall pork inflation-adjusted values to climb.

If there is a bearish tone to pork demand, it's in the export market. Through April 2015, pork exports are down 7.4% compared to year-ago levels. While shipments of U.S. pork were initially constrained by problems at U.S. West Coast port facilities, a longer-term factor likely to slow exports is the high-value exchange rate of the U.S. dollar.

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BY WILLIE VOGT

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*Wallaces Farmer* (USPS 665-020) Volume 140, Issue 7, is published monthly for \$26.95 per year in state. A Penton Media Inc. publication. Periodical postage paid at St. Charles, Ill. and additional mailing offices. **Known office of publication and Postmaster:** Send address changes to *Wallaces Farmer*, 255 38th Avenue, Suite P, St. Charles, IL 60174-5410