USDA National Agricultural Statistics Service (NASS) released the March 1 Hogs & Pigs Report on March 26, 2020. All hogs and pigs totaled 77.6 million head, up 4.0% from the prior year making this the highest amount ever recorded. Pre-report estimates had all hogs and pigs slated to increase 3.4%. Hogs kept for breeding increased marginally (0.4%) to 6.4 million head. Interestingly, industry estimates were expecting a 1.4% increase.

Hogs kept for marketing rose an astounding 4.3% to nearly 71.3 million head, a record and 0.8% above pre-report estimates. The large increase in market hogs was expected as weekly slaughter through the first twelve weeks of the year was 31.4 million head which is tracking 6.3% above the same period last year. The higher number of hogs falls in line with the weight breakouts from the report where hogs weighing over 180 pounds saw an increase of 6.5% to 13.6 million head. The 120-179 lbs., 50-119 lbs., and under 50 lbs. weight categories each grew 3.9%, 3.6%, and 4.0%, respectively, to 15.6 million, 19.9 million, and 22.2 million head over the same period last year. For each weigh category, actual reported statistics were higher than pre-report estimates. Given the slaughter pace is tracking above year ago levels and the higher hog numbers in each weight category, elevated levels of slaughter can be expected in the near term.

Improvements in pigs per liter continues to be the bellwether for the hog sector with this latest report at 11.00. This is a 2.8% improvement over last year which was also in line with pre-report estimates of a 2.5% rise to
10.97 pigs per liter. Farrowings’ were nearly 3.2 million head (up 1.9%) and slightly higher than industry expectations. This yielded a pig crop of just over 34.7 million head, a strong increase of 4.7%, which was 1.2% higher than pre-report estimates. Interestingly, farrowing intentions for March-May and June-August were 3.119 and 3.134 million head, respectively, both down 0.4% and 4.3% from a year earlier. Declining intended farrowings for the next two quarters is notable as it relates to producer sentiment. Reduced farrowings over the next six months, especially June-August, suggests producers are expecting the circumstances surrounding COVID-19 may constrain domestic and global demand, limiting profitability. Although the report suggests producer optimism may be waning for the next two quarters, the gains in pigs per liter are likely to keep hog supplies at historic levels.

**WEEKLY PORK EXPORT SALES**

USDA Foreign Agricultural Service (FAS) releases weekly export sales data on shipments of beef and pork muscle cuts. This data is lagged about a week, but it provides a glimpse of potential exports for the month, which is critical information given official statistics for March will not be available until early May. Focusing on pork, weekly exports have been averaging nearly 42,000 metric tons (MT) for the first twelve weeks of the year, this is compared to a weekly average of about 31,000 MT for all of 2019. Much of this recent growth is due to rising shipments to China which is averaging 16,000 MT per week to start 2020.

Net sales are also reported and reflect product that a country has agreed to purchase for delivery at a future date. These can change if the purchaser decides to cancel or renegotiate the sale. For example, China’s net sales in 2020 have ranged from 1,000 MT to 7,000 MT per week, which accumulate over time. But data for the week of March 5, 2020 reported China’s net sales were a negative 45,222 MT, meaning they had canceled pork shipments previously purchased for delivery. The following week, China’s net sales were reported at 15,724 MT, suggesting that they had purchased back nearly 35% of the pork they cancelled just a week prior. The most recent weeks export sales data for March 19 reported net sales of 9,485 MT, further indicating that they have purchased back another 21% of the cancelled shipments. This week’s exports to China were reported at just over 23,000 MT the highest for 2020 and 47.3% above the weekly average (15,616 MT) for the first eleven weeks of the year.

Although there could be a myriad of speculative ideas to draw as to what was driving China’s motive to cancel over 45,000 MT of net pork sales, it does have a striking resemblance to China’s previous actions in grain trade (i.e. buying product back at lower prices). We cannot confirm this is necessarily the reason, as trade dynamics are often multi-faceted. The February was also when COVID-19 was near its peak level in China, which may have created large uncertainty in pork demand for the country and altered sales outlooks. Although USDA FAS export sales data is not an exact representation of official statistics, it is a piece of information that provides a glimpse into U.S. trade dynamics and potential trade statistics leading up to the release of official data.

**RED MEAT & POULTRY IN COLD STORAGE**

USDA NASS released the February data for cold storage this week. Beef cuts jumped 20% year over year while boneless beef climbed 3%. Pork too climbed above year ago, up 7%. Bellies, loins, and bone-in picnics were all more than 25% higher than a year ago. Smaller gains in butts, trimmings, variety meats and unclassified pork all gained more than 5%. Very few pork products show inventories below a year ago; spare ribs and hams being the exceptions. Lamb and mutton, also built stocks last month, climbing 7% above 2019, and 3% higher than last month. Lamb and ham are both generally thought of as holiday meats for Easter. This year Easter celebrations are likely not taking place in some areas as the coronavirus pandemic has officials limiting the size of social gatherings.

Total frozen poultry is down compared to a year ago, but rose slightly relative to last month. Duck in cold storage posted large declines falling 8% from the previous month and is down 31% compared to last year. Total turkey inventory is 25% lower than a year ago. Total chicken in cold storage fell by 3.4% from January and is 7% ahead of last year.

Grocery stores posted strong sales in February as a result of consumers stocking up in preparation of coronavirus isolation or possibly quarantines. One month later we are facing that reality. Several cities have called for “shelter in place”, as well as closing restaurants, bars, salons, and other places where people congregate. Grocery store sales are expected to offset only a portion of the food that will no longer be consumed in the food service industry. This is likely to affect beef and lamb more than any other species. Certain cuts are also expected to suffer more than others. White tablecloth type of cuts may struggle to move as well during normal times. It is unsurprising cold storage is growing while the world and U.S. economy slow significantly. Cold storage is likely to continue to build until after peak infection hits the U.S.