NPPC Economic Update
Q1 2023

National Pork Producers Council

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 interest 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

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.

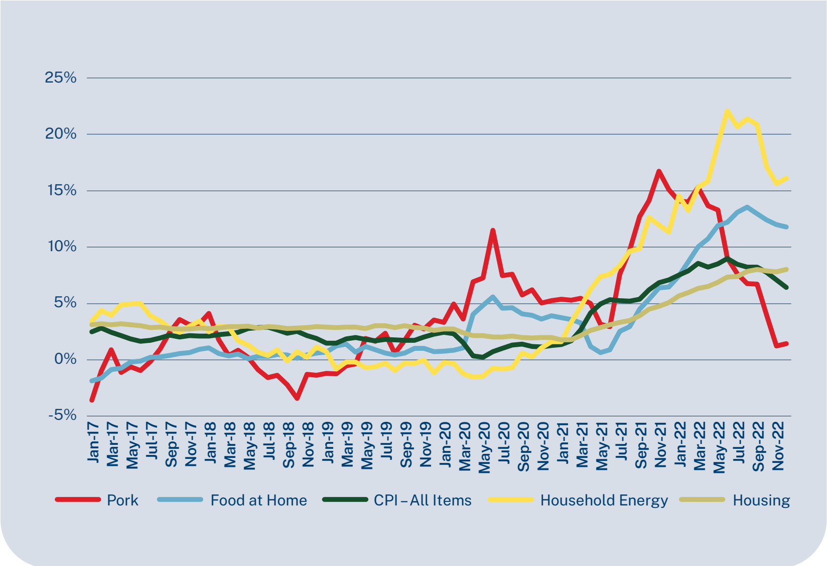
The Facts:

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.



Price Changes, Year Over Year

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.

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

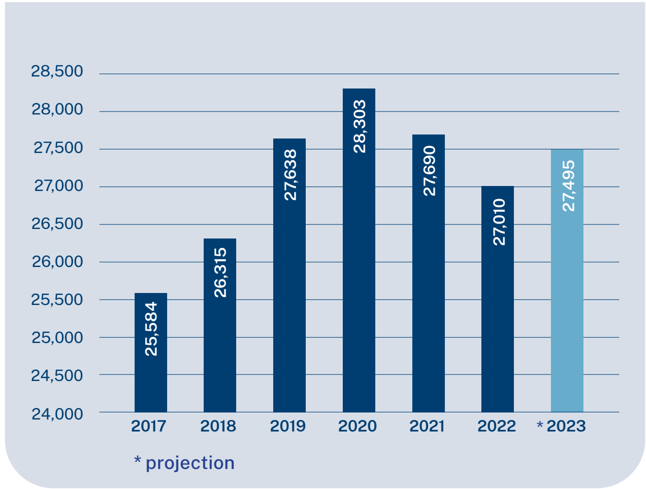
Pork production broke records in 2020 but has since declined for two consecutive years.

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.



Pork Production (Million Pounds)

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.

Pork Producers Face Labor Shortages in Rural Areas

U.S. pork producers have been facing a severe labor shortage for many years. National labor market conditions and changing demographics in rural areas have exacerbated this issue.

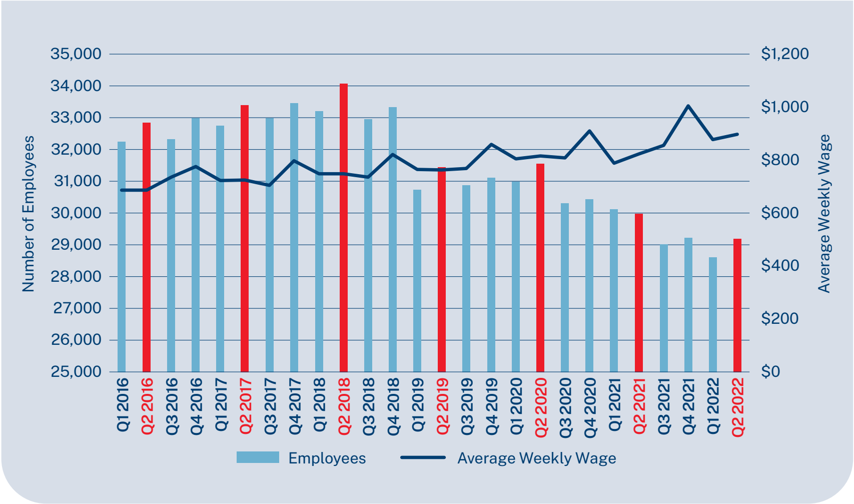
The Facts:

Recent reports from the BLS show that U.S. employers added 4.5 million workers to payrolls in 2022, and January marked the 25th consecutive month of job gains. The unemployment rate ticked back to 3.4 percent the previous month, and there are about two job openings for every unemployed person in the United States. Labor market conditions are even tighter in rural areas. Among the top-10 hog-producing states, the average unemployment rate is 3.1 percent, and 6 of the 10 states have an unemployment rate of 3.0 percent or lower.

Why It Matters:

Changing demographics, a decline in the rural labor force and an increase in the median age of rural workers have been contributing to hiring difficulties on hog farms for many years. Despite offering higher wages and competitive benefits, many U.S. hog farms are still operating at less than full employment.

A recent BLS report shows that average weekly wages on hog farms increased nearly 10 percent from 2021 to 2022 while employment declined 2.6 percent. Current labor force projections indicate that the existing U.S. workforce will not be able to offset pork industry shortages. NPPC urges Congress to make ag visa reform a top priority this year, including making the H-2A visa program available for year-round agriculture.



Hog and Pig Farm Employment

Production Costs Were Record High in 2022, but U.S. Pork Stays Competitive

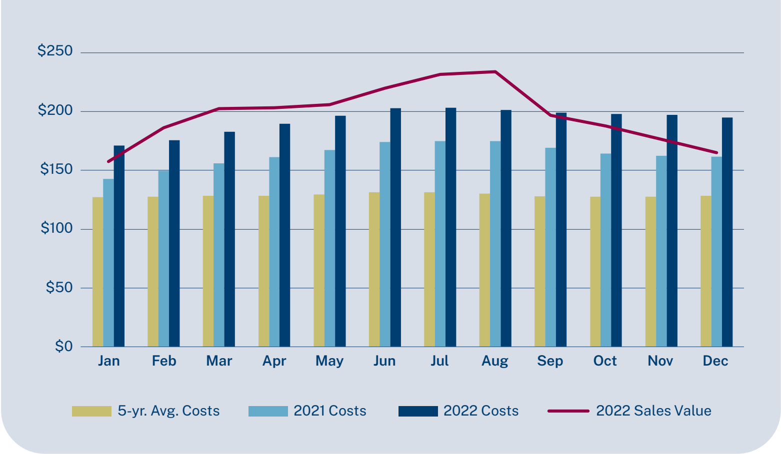
The cost of raising pigs hit a record high in 2022 and will likely remain elevated in 2023.

The Facts:

Estimates from Iowa State University Extension show that the cost of raising hogs in the United States increased 21 percent from 2021 to 2022 and 43 percent compared with 2020. Feed costs, which account for more than 60 percent of per-head costs, increased 24 percent while nonfeed variable expenses (like labor, transportation and energy) were 18 percent higher than last year.

Why It Matters:

Higher costs mean that, even with stronger-than-average hog prices, profit margins are under pressure. The breakeven price level for hogs is roughly $100/cwt, and despite experiencing some profitable months this summer, producers lost an average of $20 per head in December. With continued market volatility and competing demand for feed inputs, breakeven price levels are likely to remain elevated in 2023.



Average Cost and Sales Value ($/head)

Even with higher costs, the United States maintains its competitive advantage as one of the most cost-efficient producers in the world. Aside from select regions in Brazil, the United States has the lowest cost of feed, labor and variable expenses, according to data from InterPIG.

The Ripple Effect of Pork Production

The pork industry is a pillar of the U.S. economy, supporting sales, jobs and value added (GDP) within agriculture and other industries.

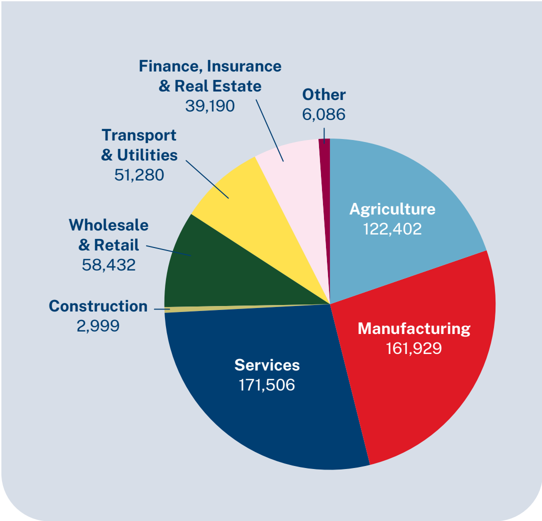
The Facts:

Based on 2021 levels of production, the pork industry supports approximately:

- 613,000 jobs.
- $36 billion in personal incomes.
- $57 billion in value added.

The economic contributions of pig farming reach well beyond the farm. Of the 613,000 jobs supported by pork production:

- 28% are in the service industry.
- 26% are jobs in manufacturing.
- 20% are within agriculture.
- 10% are in wholesale and retail businesses.
- 8% are transportation and utility jobs.
- 7% are accounted for in finance, insurance, real estate, construction and other industries.



Pork Industry-supported Jobs by Industry Sector

Why It Matters:

These numbers represent the ripple effect that hog production has on the U.S. economy through its backward and forward linkages to other industries. Backward linkages include the purchase of inputs, supplies, trucking and other services, while forward linkages are tied to hog slaughter and pork processing.

The chart above shows the pork industry's contribution at an eight-sector level of detail. The number of jobs in each sector represent what could be lost if the pork industry was removed from the U.S. economy.

Sources

- U.S. Pork Industry 2021
- Census of Agriculture
- ERS Meat Price Spreads
- Bureau of Labor Statistics
- Iowa State University Extension
- USDA Quarterly Hogs & Pigs Report

Connect with us:

Contact **Holly Cook**
NPPC Staff Economist | cookh@nppc.org