

# NPPC Economic Update Q2 2023



## Pork Industry Snapshot

The United States is a worldwide leader in pork production and contributes significantly to the U.S. economy. The country's 66,000 pig farms, the vast majority of which are family-owned, raise about 140 million market hogs annually, and hundreds of packing plants produce nearly 27 billion pounds of pork. Hog and pork production supports more than 610,000 jobs and over \$57 billion in gross domestic product through the value-added activity it supports.

NPPC is the global voice for the U.S. pork industry, representing the interests 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

- Recent report shows slight increase in U.S. swine herd
- Retail, wholesale, and farm level prices show year-over-year decline
- Pork and variety meat exports gained momentum in Q1 2023
- Labor headwinds continue to impact pork industry
- Remaining 2023 outlook depends on many factors

## Recent report shows slight increase in U.S. swine herd

After two years of contraction in the U.S. swine herd, a recent report shows that breeding and market hog inventories are slightly above year-ago levels.

### The Facts:

According to USDA's [Quarterly Hogs and Pigs Report](#), the inventory of hogs and pigs as of March 1, 2023, was:

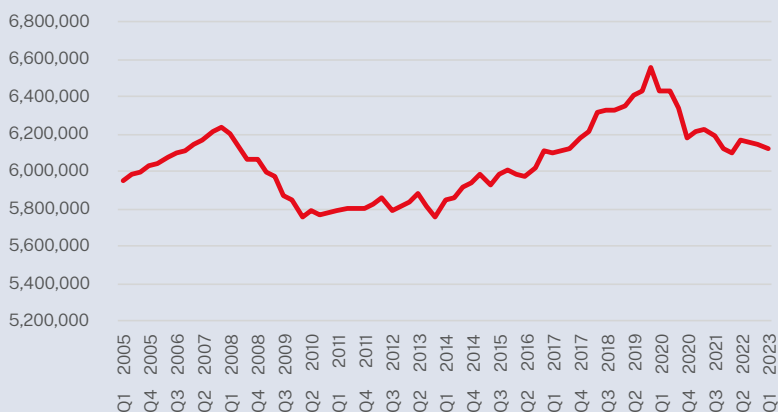
- 6.13 million breeding animals
- 66.73 million market hogs
- 72.86 million total hogs and pigs

The U.S. breeding herd increased 0.5% year over year but is still about 300,000 sows smaller than the March 2020 breeding herd inventory. Inventories of heavier weight market hogs (180-plus pounds) were up about 2.1%, and lighter weight categories were down slightly from 2022. The total U.S. inventory was 2.1% smaller than Dec. 1, 2022, but 0.2% larger than March 2022.

The report also indicated that producers plan to farrow fewer sows this spring and summer than they did in 2022. March–May intentions were reported down 1.2% and June–August intentions were down 2.9% compared with this time last year despite a larger breeding herd.

### Why It Matters:

Current inventories help predict future hog slaughter and pork production levels. According to a [recent USDA report](#), pork production increased 2.3% through the first quarter of 2023, which was greater than expected based on the December inventory report. USDA is now predicting a 1.4% increase in pork production for the year with minimal growth in Q2 and Q3 and 2.1% growth in Q4.



→ U.S. Swine Breeding Herd

## Retail, wholesale, and farm level prices show year-over-year decline

Data from the [USDA Economic Research Service](#) shows that after a record-high year in 2022, retail pork prices have declined in recent months while farm and wholesale prices are down significantly from year-ago levels.

### The Facts:

As of March 2023, the composite retail pork price was 1.7% lower than its year-ago level at \$4.76 per pound, while wholesale prices were down 27% and net farm values were down 25%.

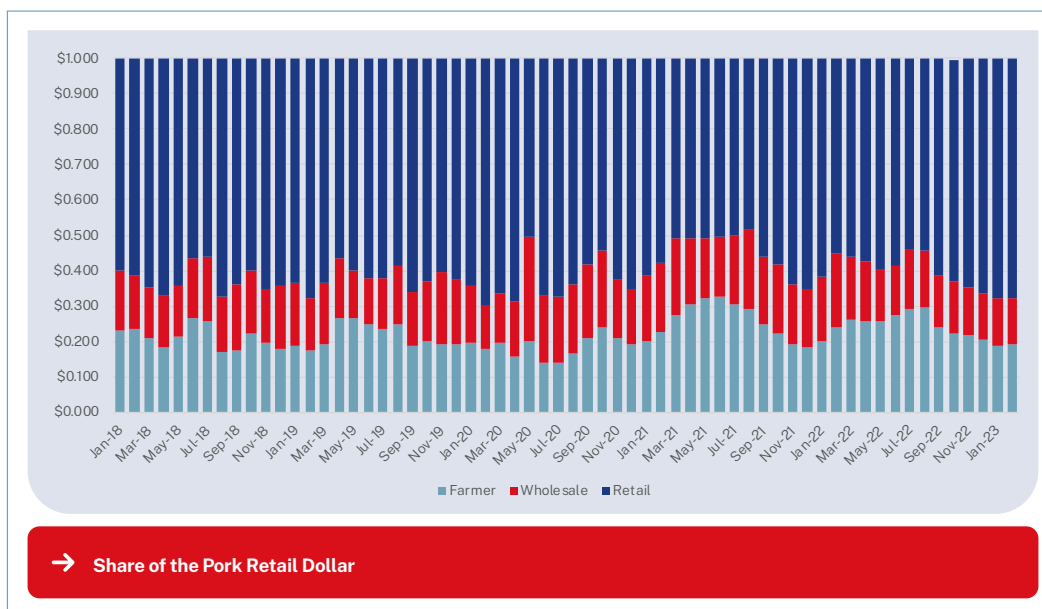
The farm-to-wholesale price spread, which generally represents packer and processor costs and profits, has declined by 31% over the past year while the wholesale-to-retail price spread, representing retailer costs and profits, has increased by 18%. As a result:

- The retailer share of each consumer dollar has increased to \$0.67 (+21%).
- The wholesale share has declined to \$0.13 (-29%).
- The farmer share fell to \$0.20 (-24%).

### Why It Matters:

Retail pork prices increased rapidly throughout 2021 and much of 2022. This was due to factors such as supply chain issues, increased transportation costs and higher labor costs. Strong demand also supported higher prices during this time but has shown signs of weakening since the fall of 2022.

Retail prices typically experience a lagged response to farm and wholesale price changes, which is one reason that the recent drop in farm and wholesale values has resulted in a larger wholesale-to-retail price spread and a smaller farmer share of the pork retail value.



## Pork and variety meat exports gained momentum in Q1 2023

Export markets represent a critical component of overall pork demand and create significant value opportunities for the U.S. pork industry.

### The Facts:

Based on carcass weight data from [USDA's Meat Supply and Disappearance](#) tables, the U.S. pork industry produced 27 billion pounds of pork in 2022. Last year, pork exports totaled about 6.3 billion pounds, accounting for 23.5% of annual production.

The volumes referenced above are reported in carcass weight and do not account for pork variety meats, which include products like internal organs, snouts, and ears that are not widely consumed in the United States. While these products have a limited domestic market, they create significant value when exported. The value of pork variety

meat exports alone exceeded \$1 billion in 2022, with China, Mexico, the Philippines, Canada, and Japan among the top markets.

Though exports declined in overall volume and value from 2021 to 2022, U.S. pork exports have experienced some momentum so far in 2023. Through February 2023:

- Exports of pork and pork products were up 11.3% YTD in terms of volume and 12.7% in terms of value.
- Pork variety meat export volumes increased 37.6% YTD.
- Mexico remained the top market for U.S. pork, accounting for 38% of total volume through February.

**Why It Matters:**

**Pork and variety meat exports gained momentum in Q1 2023 (continued)**

Over the past 30 years, exports have been an important driver of overall pork industry growth. A study on the pork industry’s total economic contributions estimates that pork exports support about 155,000 U.S. jobs and \$9.1 billion of personal income in various sectors of the economy.

Any event — such as an outbreak of a foreign animal disease — that causes a disruption or loss in market access could result in a 40% to 50% drop in hog prices and severe impacts throughout the economy. Maintaining access to key markets and gaining access to new markets will be critical to the future of the U.S. pork industry and rural communities.



→ Monthly Export Volumes

**Labor headwinds continue to impact pork industry**

While the national labor market remains relatively strong, U.S. Census Bureau data shows why rural counties in top hog-producing states may continue to experience difficulty in hiring and retaining workers.

**The Facts:**

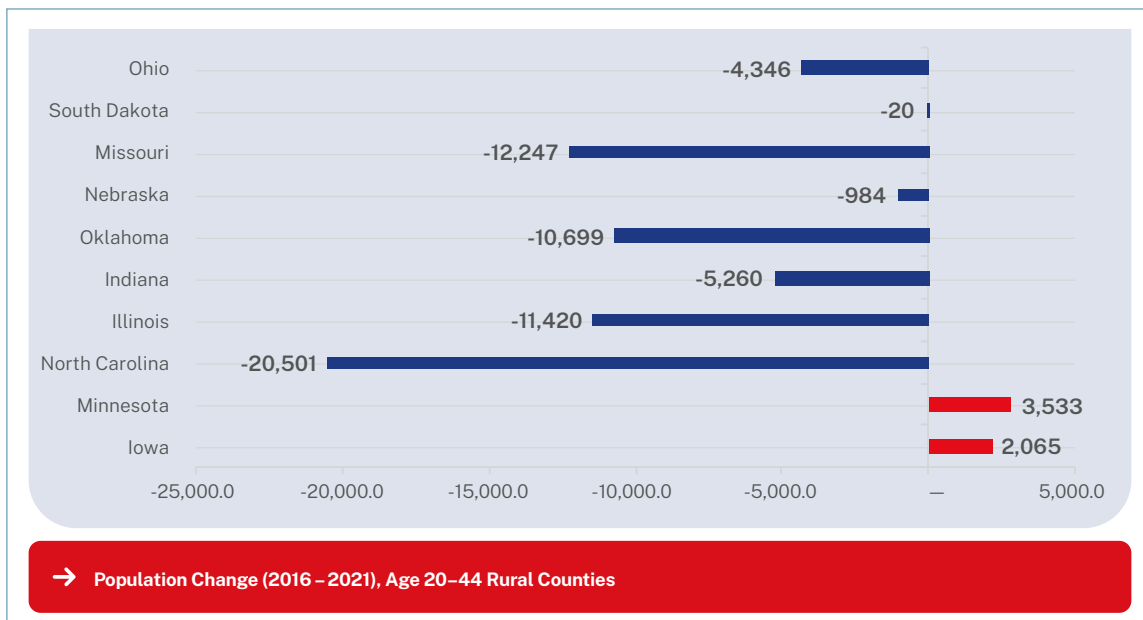
March 2023 marked the 27th consecutive month of employment growth in the United States according to data from the [Bureau of Labor Statistics](#) (BLS). While the rate of monthly job gains has slowed, unemployment remains very low at 3.5% and the civilian labor force level continues to rise. Average nonfarm wage growth has cooled slightly, increasing 4.2% from March 2022.

Unemployment rates among the top 10 hog-producing states currently average 3.1%, with 6 states experiencing unemployment rates of 3.0% or lower. Using five-year estimates from the [U.S. Census Bureau](#), 8 of these 10 states experienced a decline in populations of 20-to-44-year-olds in non-metro counties from 2016 to 2021. The average labor force participation rate of rural-county 20-to-44-year-olds in these states was more than 80%

The most recent [BLS Quarterly Census of Employment and Wages](#) shows that, from September 2021 to September 2022, the total value of wages paid to workers on U.S. hog farms increased 12.1% while the number of workers declined by 0.4%.

**Why It Matters:**

Despite offering higher wages and competitive benefits, many U.S. hog farms are still struggling to fill open positions. Additionally, census data for rural-county populations indicate little to no slack in rural labor markets. If not addressed, domestic labor shortages will continue to be a limiting factor in the pork industry even if the broader U.S. labor market begins to see a slowdown in hirings and wage growth.



→ Population Change (2016 - 2021), Age 20-44 Rural Counties

## Remaining 2023 outlook depends on many factors

The current market environment is generating negative margins for pork producers. Looking ahead in 2023, pig farmers will face many challenges and opportunities impacting their businesses.

### The Facts:

Producer sold hog prices averaged about \$75 per hundredweight for the first three months of 2023, well below the estimated breakeven level of nearly \$100 for farrow-to-finish producers. A recent [USDA report](#) projects the following price and production changes from 2022 to 2023:

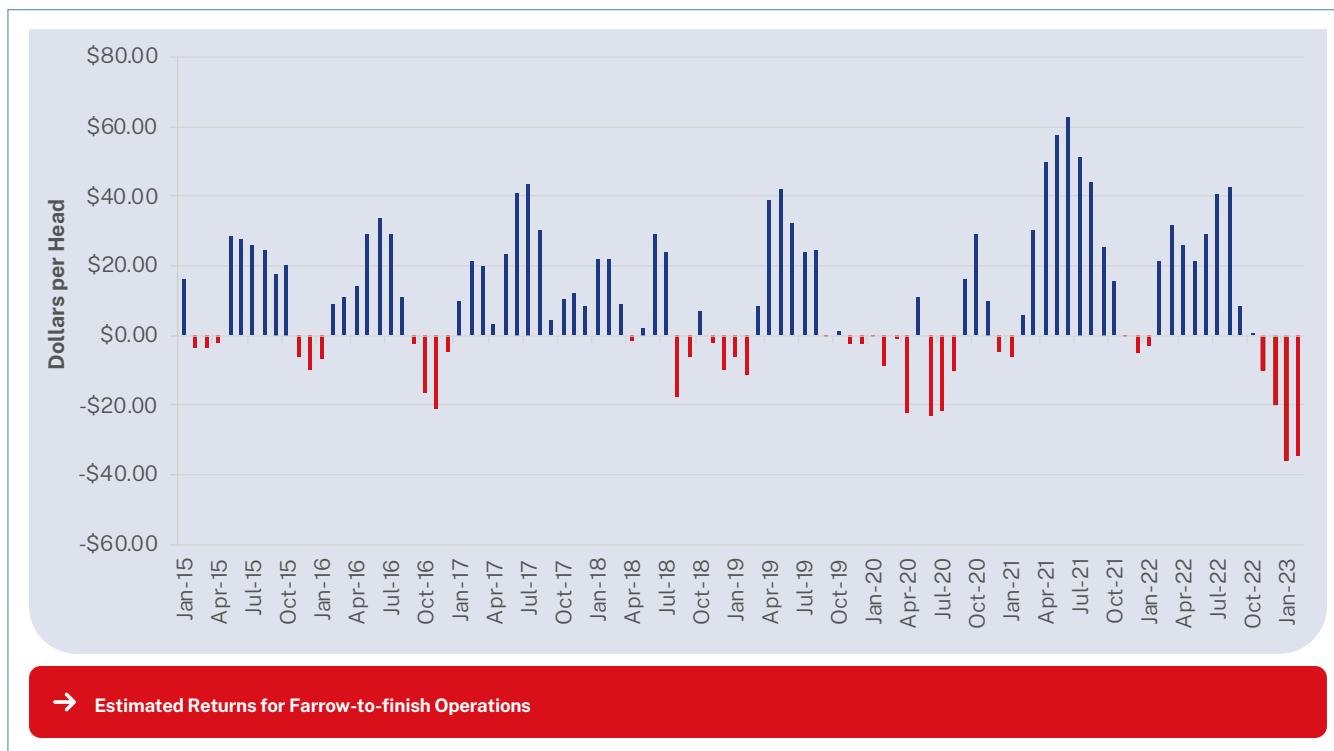
- Annual live hog prices down 14.3%
- Annual pork production up 1.4%
- Total red meat (pork and beef) production down 2.1%

As of February 2023, the cost of raising pigs was 13% higher than in February 2022 and 53% higher than in 2020. Much of this increase is due to higher feed costs which were up 19% from 2022. [USDA's Grains and Oilseeds Outlook](#) for 2023-2024 is for increased production of corn and soybean meal and lower season-average prices, though current prices remain elevated.

### Why It Matters:

U.S. pork producers continue to face very high production costs and hog prices that are well below breakeven levels. Though prices and profitability typically follow seasonal patterns, January–February losses averaged \$35 per head, which was far below the 10-year average return of about \$4 per head for this period, according to estimates by [Iowa State University Extension and Outreach](#).

The overall profitability picture for 2023 will continue to be determined by domestic and export pork demand, global corn and soybean production (including U.S. weather and planting progress), the price and availability of other meat proteins, and actual pork production levels for the remainder of the year.



### Sources

- [U.S. Pork Industry 2021](#)
- [USDA Quarterly Hogs and Pigs Report](#)
- [ERS Meat Price Spreads](#)
- [ERS Meat Supply and Disappearance](#)
- [USDA WASDE Report](#)
- [U.S. Census Bureau](#)
- [U.S. Bureau of Labor Statistics](#)

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