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## Cattle Market Comments

### It Takes a Lot of Bacon to Choke Down a Veggie “Burger”

February 1, 2017

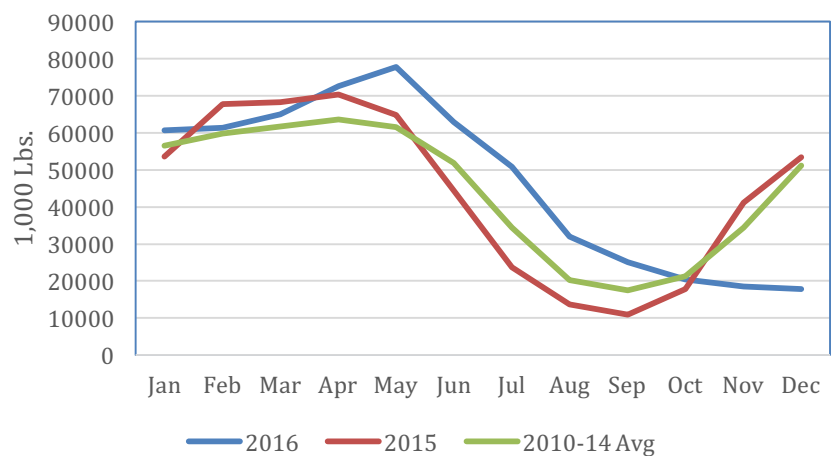
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It hit the news today that there is a “shortage” of bacon. The “shortage” statement is an interpretation of the data that comes from USDA’s Cold Storage report which includes the amount of pork bellies in refrigerated warehouses and freezer storage.

The January report for December stock levels indicated 17.7 million pounds of pork bellies in cold storage. That was 67 percent below last December’s stock level (53.3 million pounds). It is true that December’s 17 million pounds is the smallest level of stocks for a December going back to at least 1973 (my dataset begins in 1973), but it is not the smallest level of stocks on record. We had fewer pounds on hand as recently as September 2015 (10.9 million pounds).

Pork Bellies in Cold Storage



#### A Few Things to Remember

We aren’t going to run out of bacon. Shortage is really a loaded term in economic thinking. We rarely run out of anything, but supplies do get tight and prices rise to ration the quantity demanded. And then higher prices spur more production.

Stocks data are a snapshot in time that tell us what is on hand. It also represents what’s in the pipeline to draw on. Stocks data doesn’t tell us, necessarily, about the flow of the product through the marketplace. Putting several data points together can indicate a drawdown in stocks. But that might indicate good demand and movement of bellies out to retail sales. While belly stocks are down, boneless hams and butts were slightly higher in December.

Sometimes stocks can reflect speculative strategies of various market actors. It can be profitable to buy and hold stocks. Sometimes stocks build up because supplies are growing faster than demands.

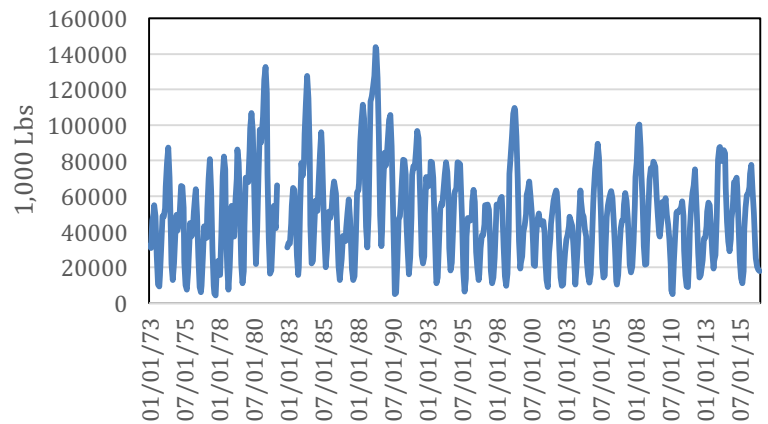
Belly prices are higher this year than last. The latest weekly wholesale data for pork bellies indicates a price of about \$1.40 per pound, up from about \$1.20 a year ago. Belly prices normally increase in the Spring, then after declining, hit their highs in Summer.

The nation's hog farmers are increasing production. After some weeks of record large hog slaughter late in 2016, the December USDA Hogs and Pigs report indicated growing supplies of hogs in 2017 with an increase in the breeding herd and farrowing intentions. So we can expect record large pork production in 2017.

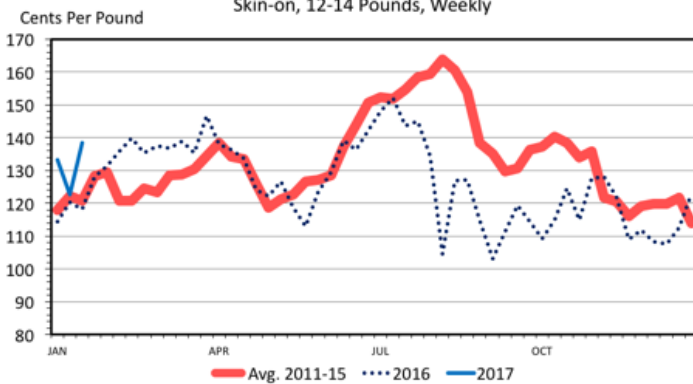
I think it's a good thing that this data caught people's interest. USDA collects and publishes a lot of data that helps the industry, from small producers to large producers to consumers develop their market knowledge. This is a great educateable moment for everyone that is interested in livestock, meat markets, and agriculture.

There is plenty of bacon for all of us bacon lovers. Be sure to help other producers too by having a hamburger with it (or chicken, turkey, etc. and don't forget the cheese)!

Pork Bellies in Cold Storage, Monthly, 1973-2016



WHOLESALE PORK BELLY PRICES  
Skin-on, 12-14 Pounds, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

DECEMBER 1 ALL HOGS AND PIGS  
U.S. Inventory



Data Source: USDA-NASS  
Livestock Marketing Information Center