

June 1, 2006 USDA Hogs and Pigs Report Commentary

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As other commentators have already noted, there weren't many surprises in the June 1, 2006 USDA Hogs and Pigs report released on June 30, at least as the report related to the overall numbers of pigs in the US breeding herd and the kept for market category.

However, the report does spell out where modest expansion is occurring and where changes in the mix of breeding and market inventories continue to occur. With transportation expenses rising significantly in response to rising fuel prices, it would seem logical that any future investments in production facilities, both farrowing and wean-finish, will include consideration of the cost to transport weaned pigs to finishing facilities and the cost to transport slaughter ready animals to slaughter plants.

Table 1. Ranking of all states with all hogs and pigs inventories greater than 1 million head, June 1, 2006.

State	Kept for Breeding	Kept for Market	All Hogs and Pigs
	-----	000 head	-----
Iowa	1,080	15,220	16,300
N Carolina	1,020	8,580	9,600
Minnesota	590	6,110	6,700
Illinois	430	3,720	4,150
Indiana	320	2,880	3,200
Nebraska	365	2,535	2,900
Missouri	350	2,350	2,700
Oklahoma	360	1,980	2,340
Kansas	160	1,640	1,800
Ohio	165	1,415	1,580
S Dakota	160	1,280	1,440
Pennsylvania	100	970	1,070
US	6,060	54,867	60,927

Table 2. March 1 to May 30, 2006 Pig Crop in all states farrowing over 100,000 sows.

State	Sows Farrowed 000 hd	% of '05	March 1 intentions % of '05	Pigs/litter	Total pigs 000 hd
N Carolina	550	100	98	9.10	5,005
Iowa	455	103	105	8.95	4,072
Minnesota	280	97	95	9.30	2,604
Illinois	205	98	100	9.05	1,855
Nebraska	180	103	100	9.15	1,647
Oklahoma	185	97	97	8.90	1,647
Missouri	170	100	100	9.10	1,547
Indiana	135	100	100	8.90	1,202
US	2,897	101	101	9.08	1,202

Table 3. Farrowing intentions relative to 2005 farrowings.

State	Jun-Aug % '05	Sept-Nov % '05
Illinois	105	108
Indiana	104	111
Iowa	98	99
Minnesota	100	104
Missouri	97	94
Nebraska	103	103
N Carolina	98	100
Oklahoma	90	97
US	100	101

After years of declining inventory, Nebraska has remained relatively stable in both the breeding and kept for market inventory. In the past 2 years (September, 2004 to June 1, 2006), Nebraska's share of the US breeding inventory has ranged from 6.04% to 5.82% and currently stands at 6.02%. Inventory in the kept for market category has ranged from 4.38% to 4.71% and currently stands at 4.62%. Inventory of all hogs and pigs ranged from 4.53% to 4.83% and currently stands at 4.76%.

At look at Table 3 (Farrowing Intentions) suggests that Indiana may be the state with the biggest breeding herd expansion plans. The large jump in farrowing intentions for the September-November period corresponds with rumored construction completion dates for several breeding herd projects in the Hoosier State. The lack of any increase in

farrowing intentions for the majority of states also corresponds with trade expectations of limited overall US expansion.

Another state that continues to change in regard to the structure of its swine inventory is Minnesota. Historically a state that had similar percentages of the breeding inventory and the kept for market inventory, Minnesota now has 11.14% of the kept for market inventory and only 9.74% of the breeding inventory. The difference in inventory is mostly accounted for by the large influx of Canadian born feeder pigs. Minnesota is the number 2 state (behind Iowa) for Canadian feeder pig imports.

Canadian feeder pig imports are on track to set a record in 2006. As of June 24, 2006, US producers have imported an average of 111,529 Canadian feeder pigs per week into US facilities for growth to slaughter. At this rate, total feeder imports for 2006 could end up being near 5.8 million head, well ahead of the 5.55 million head record imports in 2004.

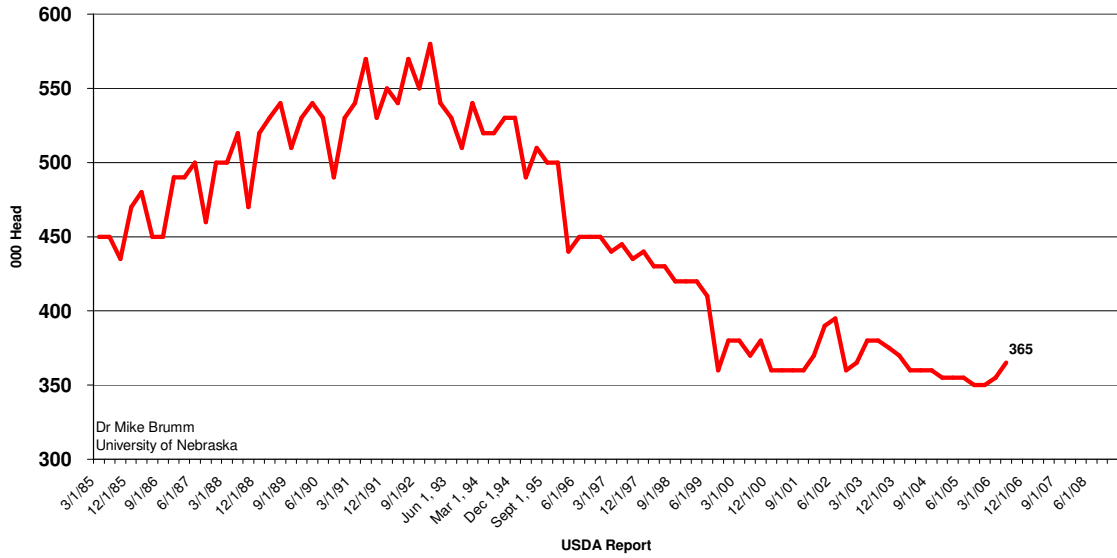
Additionally, there have been several reports in the Canadian press recently about Canadian producer desires to invest in wean-finish facilities in the upper mid-west. The strong Canadian dollar relative to the US dollar (>\$1.60 CD per US D in early 2002 vs \$1.11 CD per US D today) means these producers view ownership of pigs and facilities in the US as a hedge against the US-Canadian exchange rate. In addition, ownership of pigs and facilities in the upper mid-west gives them access to relatively cheap feed ingredients.

There has been considerable speculation by producers and their advisors about the impact of the rapid growth in corn-based ethanol production on feed prices. In addition, many rural communities which have traditionally opposed expansion of swine finishing facilities have supported construction of ethanol plants. One of the major reasons for support of ethanol plants has been the number of jobs created in the local community.

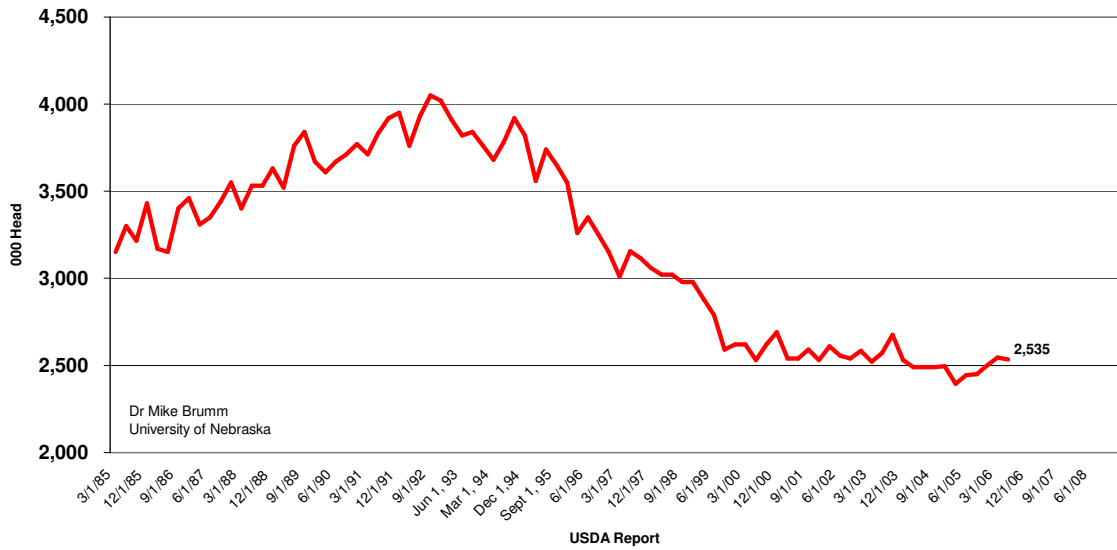
Let's take a look at the impact of swine wean-finish facilities versus ethanol plants on the employment opportunities in rural communities. For purposes of this comparison, I'll use a dry-mill ethanol plant that consumes 16 million bushels of corn per year to produce 40-42 million gallons of ethanol. In most instances this plant will create 35 to 40 full-time jobs.

Growing a pig from weaning to slaughter requires 9.3 bushels of corn (in addition to soybean meal and other ingredients). It also requires 0.35 hours of labor (www.finbin.umn.edu). If we assume there are 2200 hours of labor per full-time-equivalent per year (42.3 hr/week), this 16 million bushels of corn equates to 1.72 million pigs grown to slaughter, creating 274 full time jobs in the daily care of the pigs.

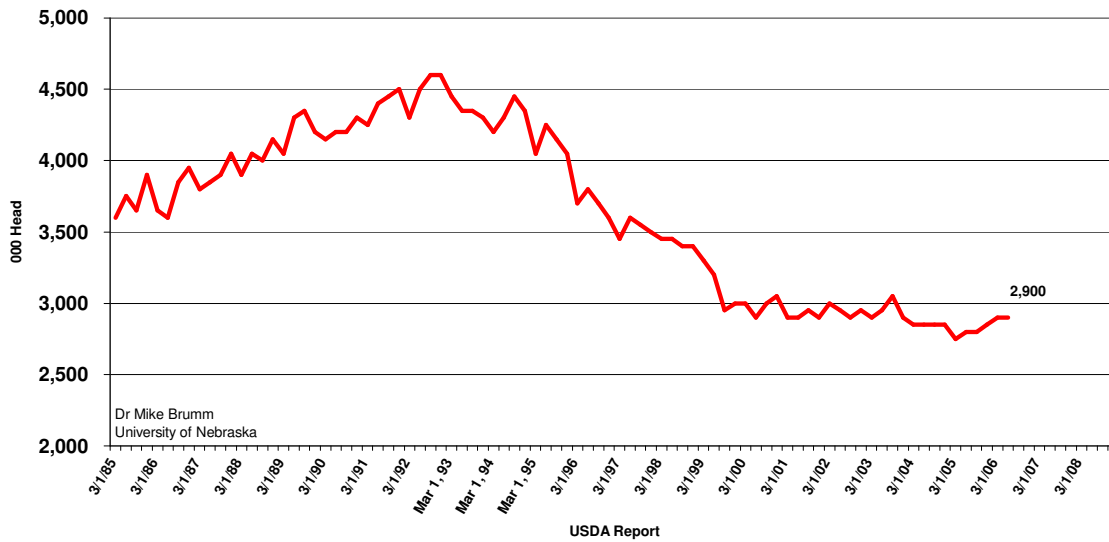
Nebraska Breeding Inventory



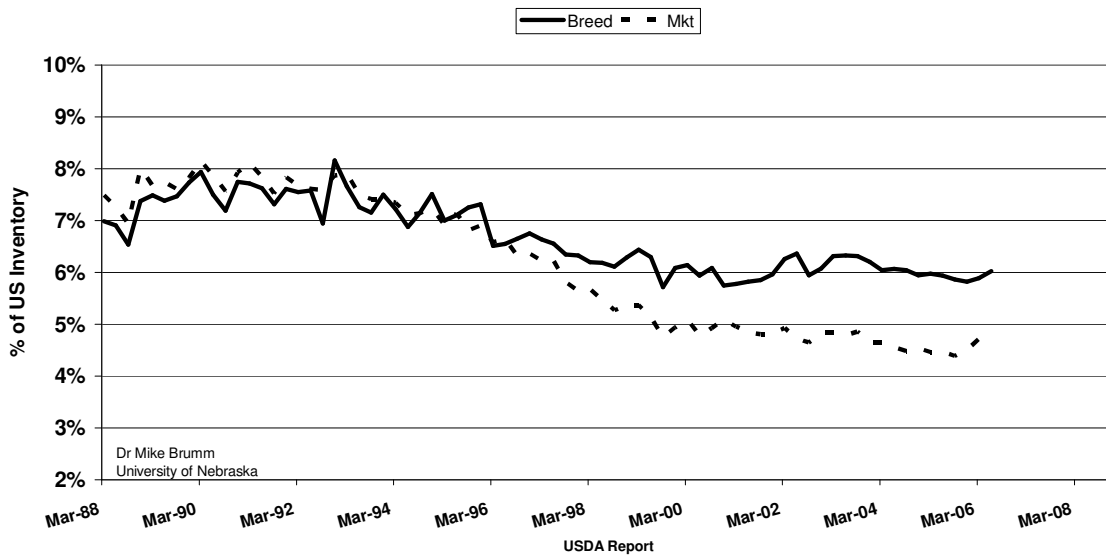
Nebraska Market Inventory



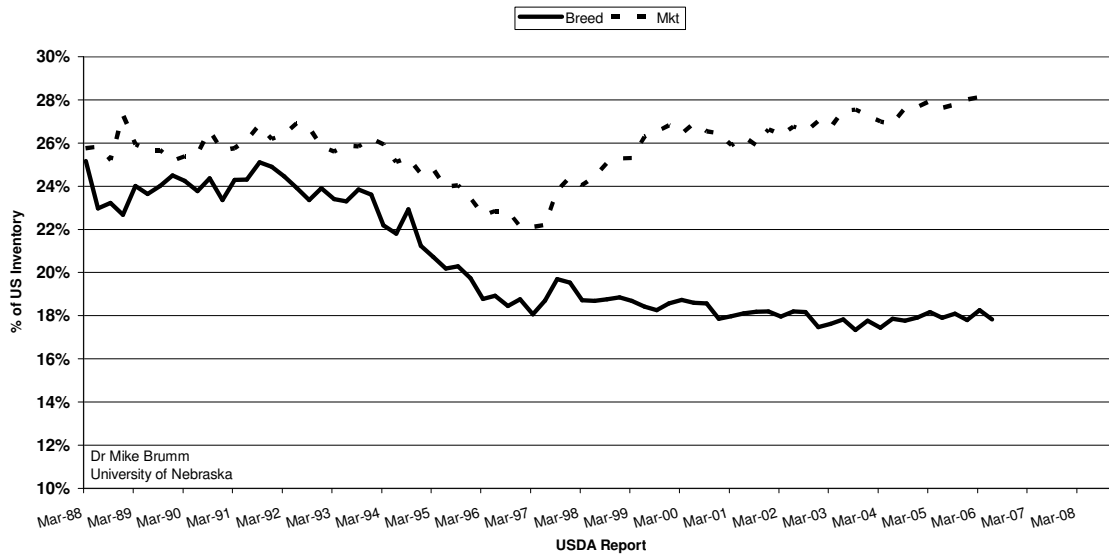
Nebraska Pig Inventory



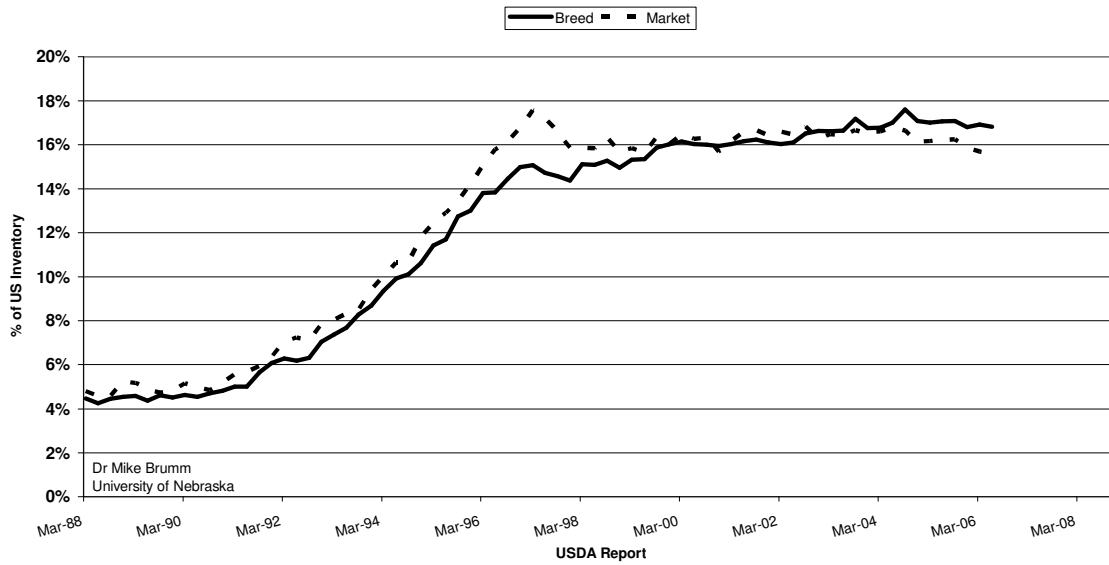
Nebraska's Share



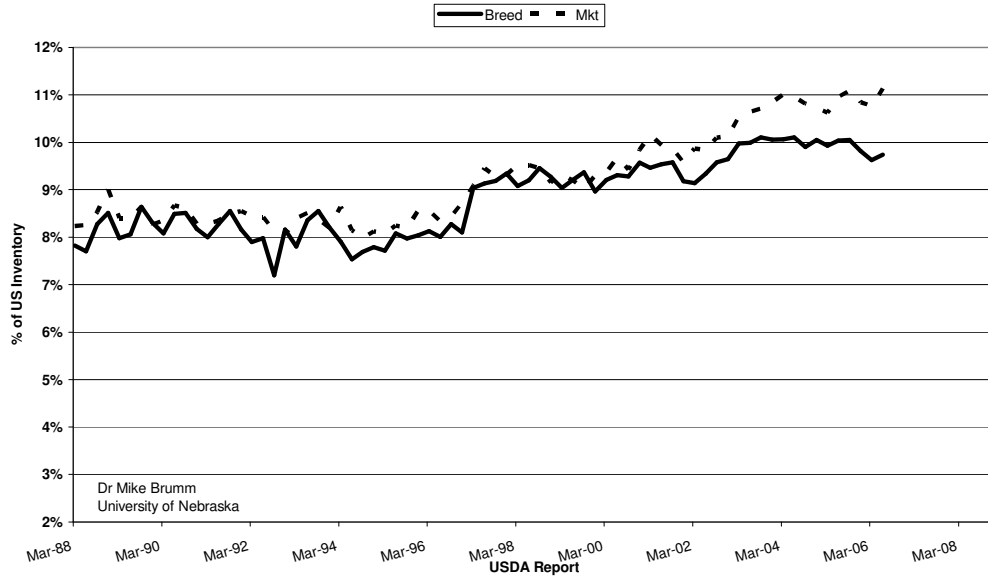
Iowa's Share



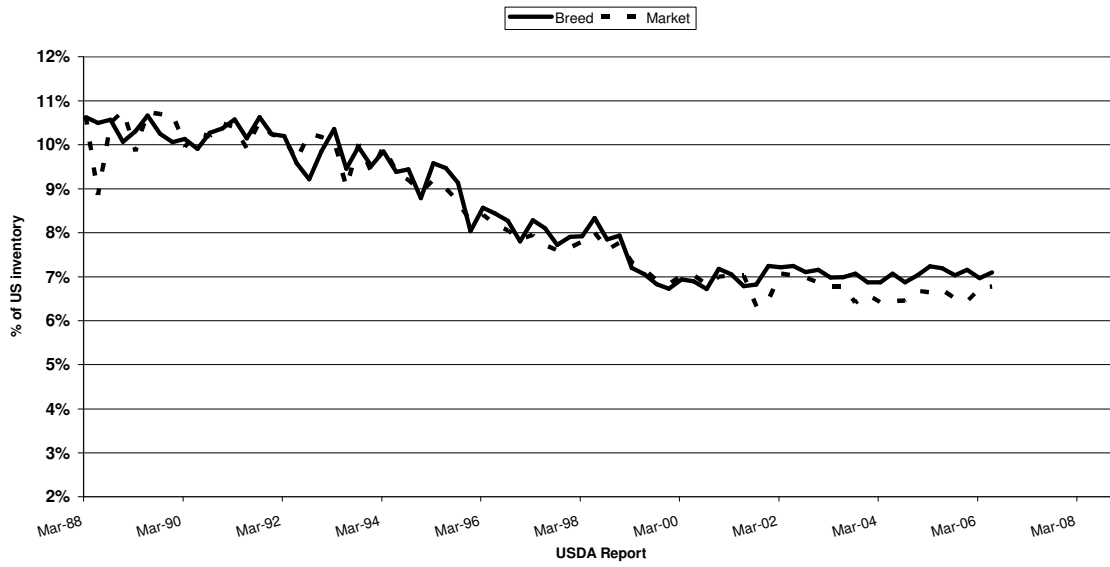
N Carolina Share



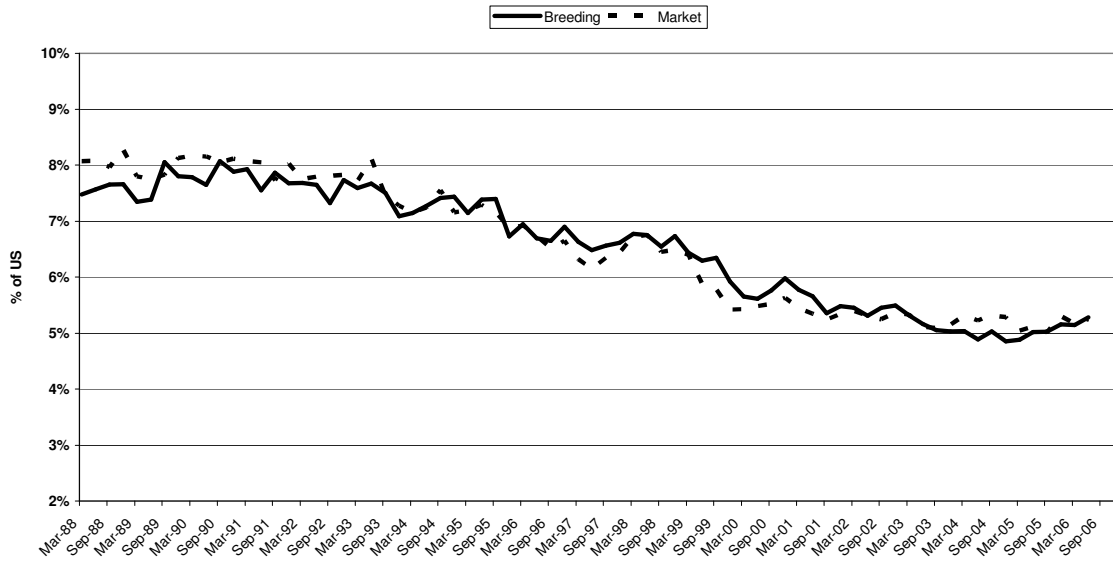
Minnesota's Share



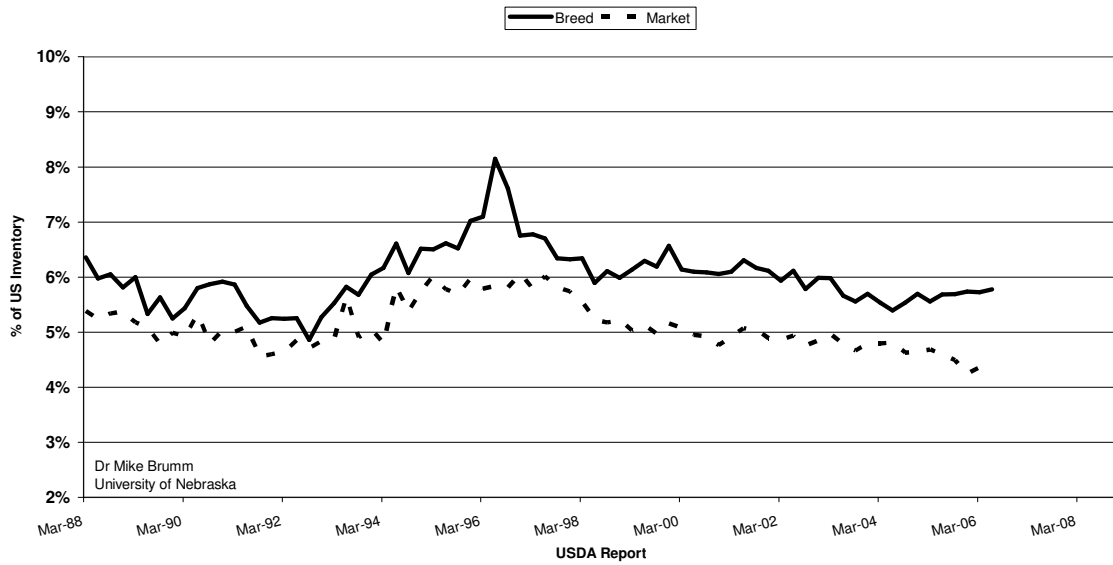
Illinois Share



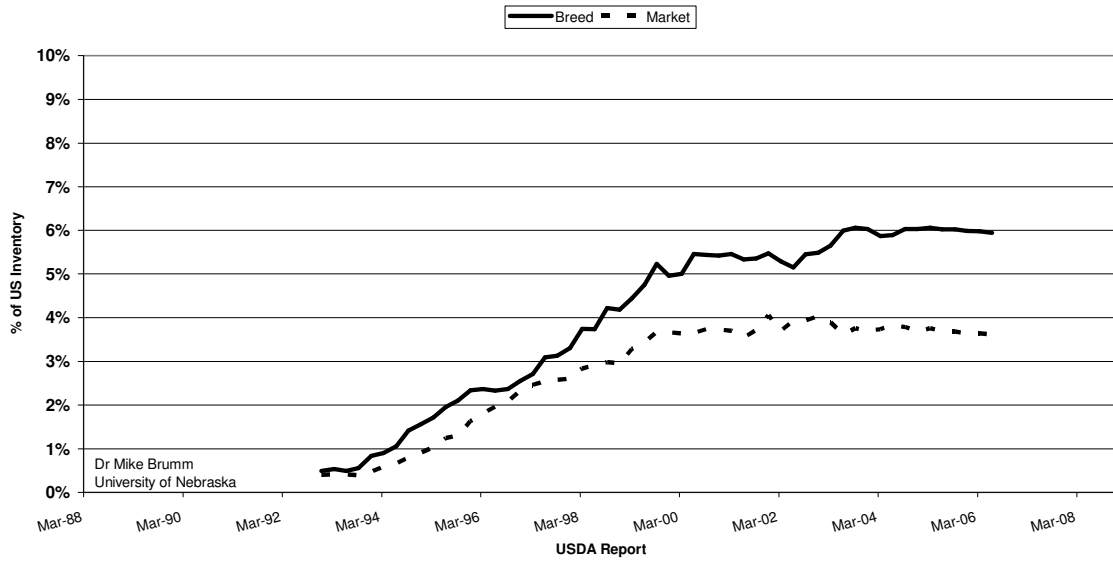
Indiana Share



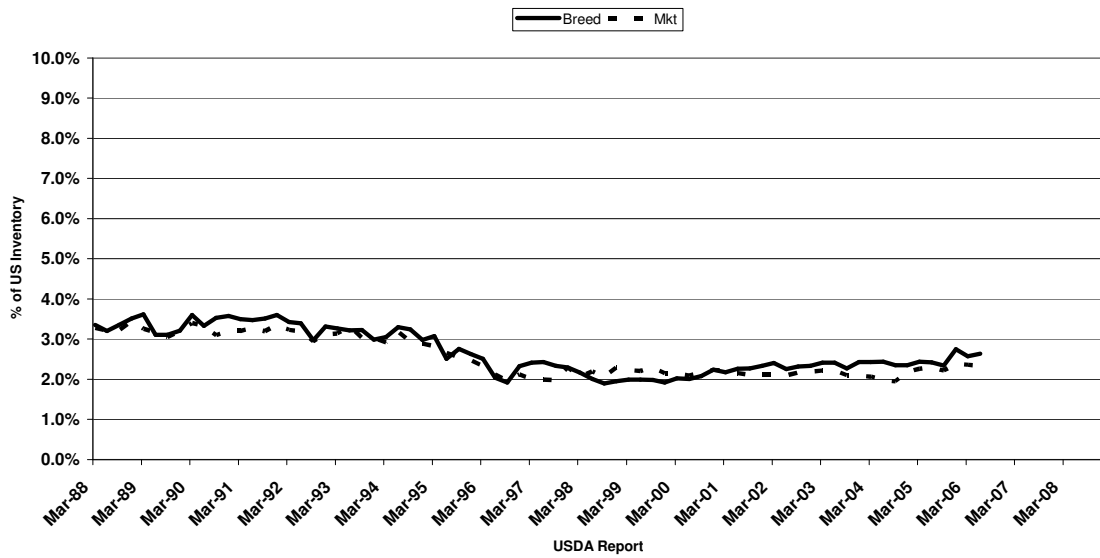
Missouri Share



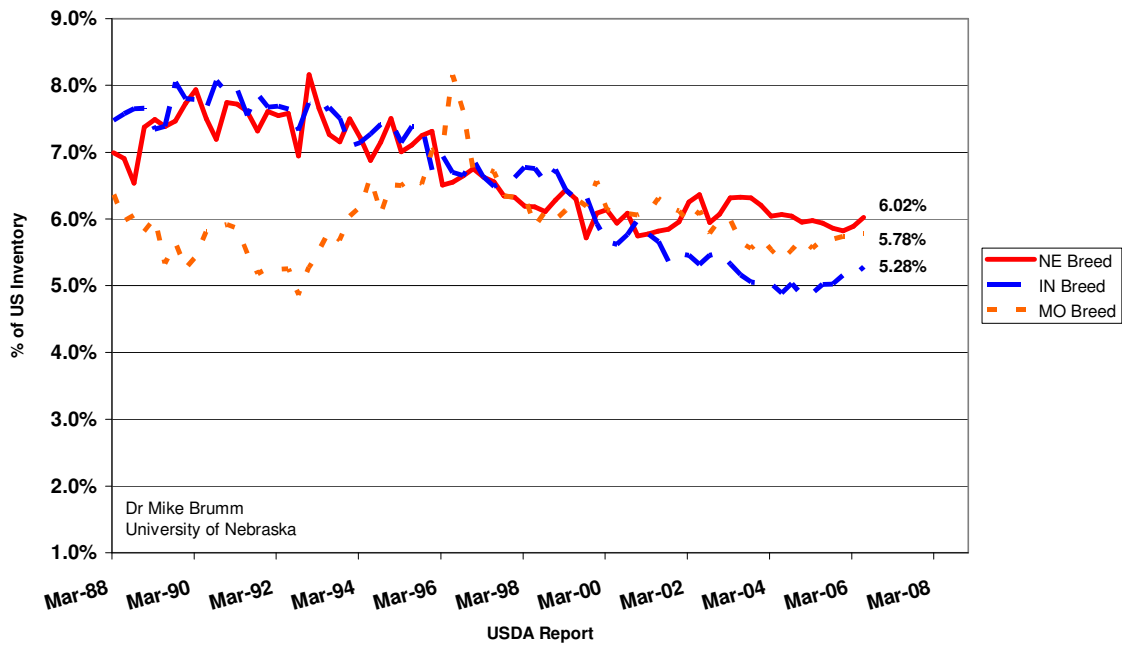
Oklahoma Share



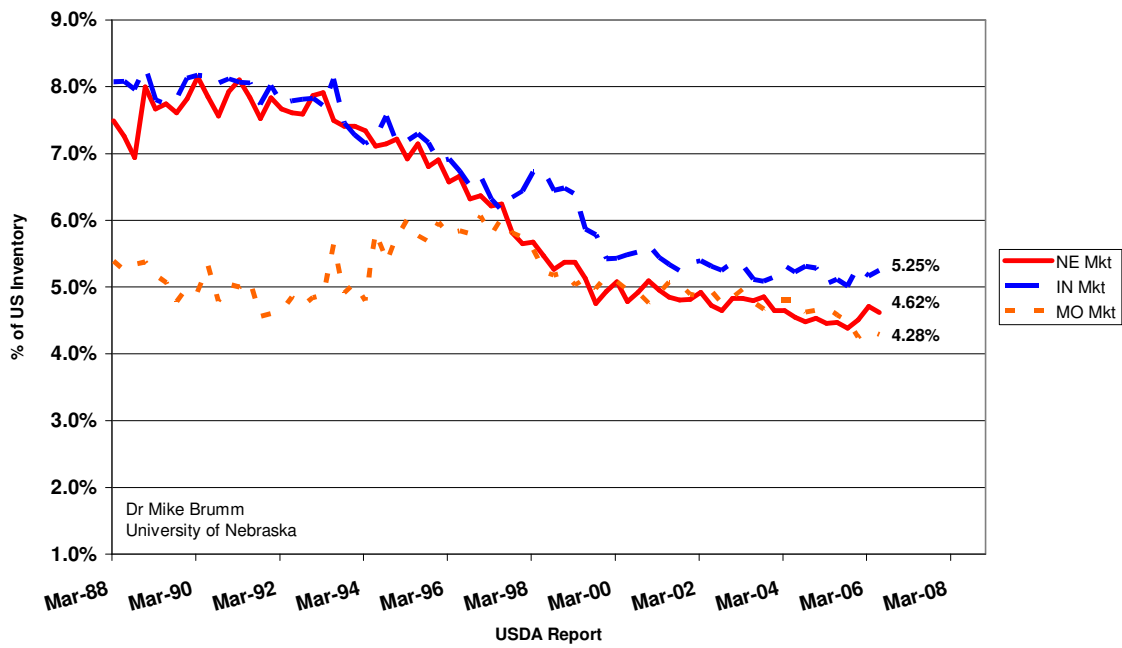
South Dakota's Swine Industry



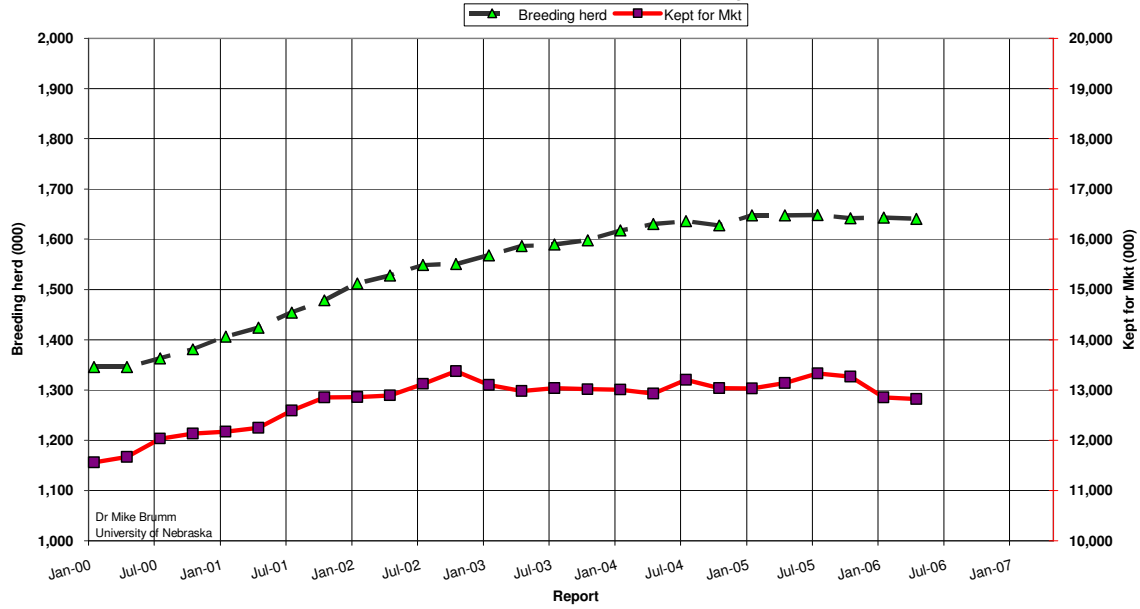
Nebraska vs IN vs MO Swine Industry



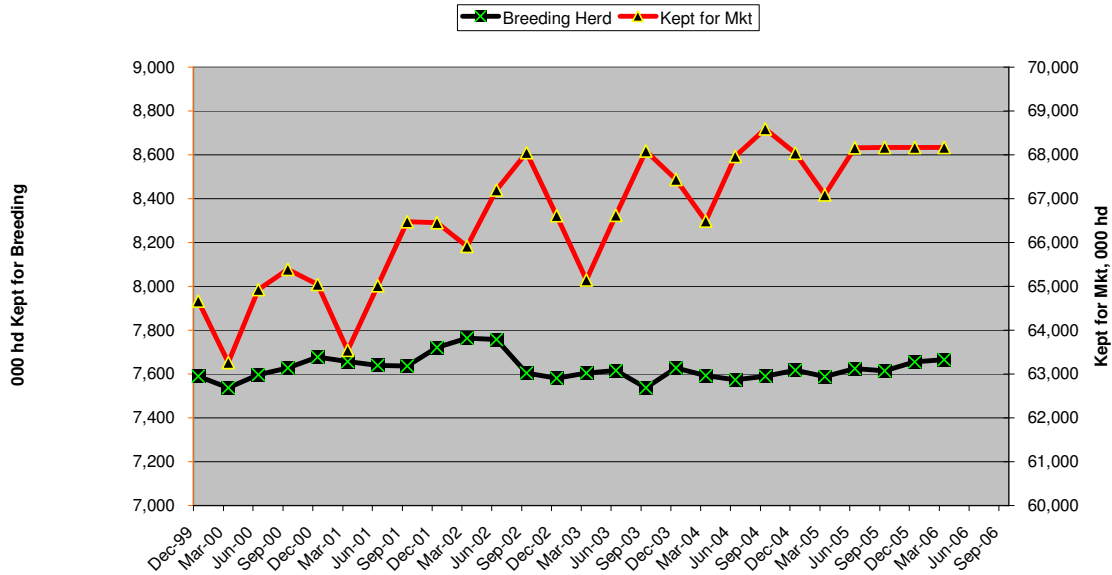
Nebraska vs IN vs MO Swine Industry



Canadian Swine Inventory



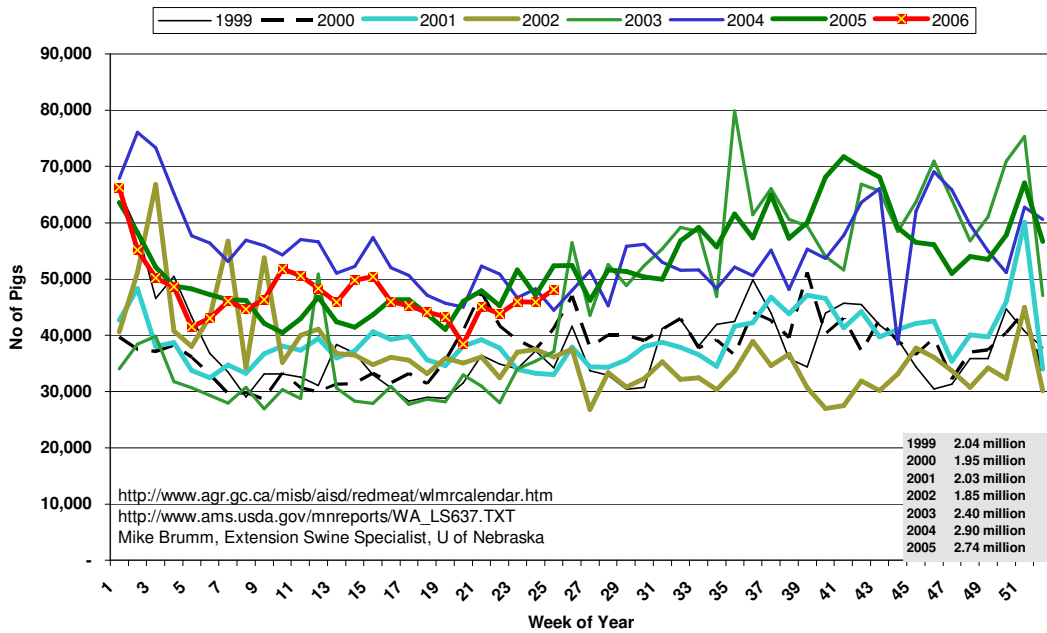
Combined N American Inventory



	Dec-99	Mar-00	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06
Breeding Herd	7590	7536	7598	7627	7676	7656	7640	7637	7721	7764	7757	7605	7580	7604	7616	7536	7626	7591	7573	7589	7617	7588	7626	7614	7655	7666		
Kept for Mkt	6466	6326	6492	6538	6503	6354	6501	6646	6644	6590	6719	6804	6660	6514	6661	6808	6744	6648	6796	6859	6803	6709	6816	6816	6816			

USDA Report (+1 mo for CA)

Canadian Slaughter Export to US Includes cull sows and boars



Canadian Feeder Exports to US

