

**Commentary on December 1, 2009
USDA Hogs and Pigs Report**

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While the markets focused on the extent to which the US breeding herd inventory was reduced, there are several other interesting items in this report that support the continued structural and productivity changes in the US and US/Canada industries.

Before commenting on these changes, here are the inventory numbers for the top states, in rank order:

December 1, 2009 Inventory

All states with 1 million or more pigs in inventory

State	Breeding			Market Hog			Total		
	000 hd	% 2008	% of US	000 hd	% 2008	% of US	000hd	% 2008	% of US
Iowa	1020	95	17.4%	18280	97	30.5%	19300	97	29.3%
N Carolina	930	95	15.9%	8770	101	14.6%	9700	100	14.7%
Minnesota	560	97	9.6%	6840	99	11.4%	7400	99	11.2%
Illinois	480	98	8.2%	3870	100	6.5%	4350	100	6.6%
Indiana	280	100	4.8%	3370	103	5.6%	3650	103	5.5%
Nebraska	370	97	6.3%	2780	94	4.6%	3150	94	4.8%
Missouri	360	97	6.2%	2740	99	4.6%	3100	98	4.7%
Oklahoma	410	103	7.0%	1900	95	3.2%	2310	96	3.5%
Ohio	165	97	2.8%	1855	105	3.1%	2020	104	3.1%
Kansas	180	109	3.1%	1630	103	2.7%	1810	104	2.8%
Pennsylvania	100	111	1.7%	1080	105	1.8%	1180	105	1.8%
S Dakota	145	94	2.5%	1025	91	1.7%	1170	91	1.8%
Michigan	110	100	1.9%	970	105	1.6%	1080	105	1.6%
US	5850	97		59957	98		65807	98	

The biggest decline in inventory for the leading states occurred in South Dakota, where the market hog inventory was only 91% of the 2008 number. It is interesting to note that while pig numbers declined in South Dakota, a state with a sparse human population, numbers increased in Indiana, Michigan, Ohio and Pennsylvania, states with much denser human populations.

In reports for the past several years, the breeding herd in North Carolina was very stable at 1.00 to 1.03 million head. On December, the North Carolina breeding inventory was estimated at 930 thousand head, the smallest breeding inventory since the December 1, 1995 report. The North Carolina breeding inventory represents 15.9% of the US breeding herd. The last time the North Carolina percentage was this low was on October 1, 1999.

There have been 2 bankruptcies filed in North Carolina by relatively large systems and their problems, along with the announced cutbacks by Smithfield most likely account for much of this decline.

Even with the decline in the breeding herd, North Carolina continues to wean more pigs than any other state and weaned 17.8% of all pigs in the US for the previous 12 month period.

Annual Farrowings

December, 2008 through November 2009

State	Sows	Pigs	Pig Crop	
	Farrowed 000 hd	per litter	000 hd	% of US
N Carolina	2,130	9.64	20,530	17.8%
Iowa	1,970	9.70	19,108	16.6%
Minnesota	1,130	9.94	11,229	9.7%
Illinois	1,005	9.49	9,535	8.3%
Nebraska	740	9.92	7,344	6.4%
Missouri	750	9.76	7,321	6.4%
Oklahoma	755	9.23	6,966	6.0%
Indiana	545	9.44	5,143	4.5%
S Dakota	332	10.02	3,325	2.9%
Ohio	349	9.48	3,307	2.9%
Kansas	327	9.29	3,037	2.6%
Colorado	289	9.14	2,642	2.3%
Michigan	220	9.69	2,131	1.9%
Pennsylvania	170	9.85	1,675	1.5%
Arkansas	168	9.73	1,634	1.4%
Texas	171	9.44	1,614	1.4%
US	11,969	9.62	115,174	

Illinois continues to remake itself as a state that exports weaned pigs to surrounding states, most often Iowa and Indiana. Illinois now has 8.2% of the US breeding herd and farrowed 8.3% of the US 12 month pig crop.

The biggest decline in farrowing intentions for the December thru February period occurred in Texas, where they report an intention to farrow only 61% as many sows as the same period last year versus the 98% US intention. Much of this decline is most likely related to the closure of the Smithfield Premium Standard production system located in the panhandle of Texas.

The increase in breeding herd productivity is remarkable. There are several ways to examine this number. The simplest is to divide the market inventory by the breeding herd

inventory. Since the March 1, 1988 report, this number has grown from 6.35 market pigs per breeding animal to 10.25 pigs per breeding animal in the December 1, 2009 report.

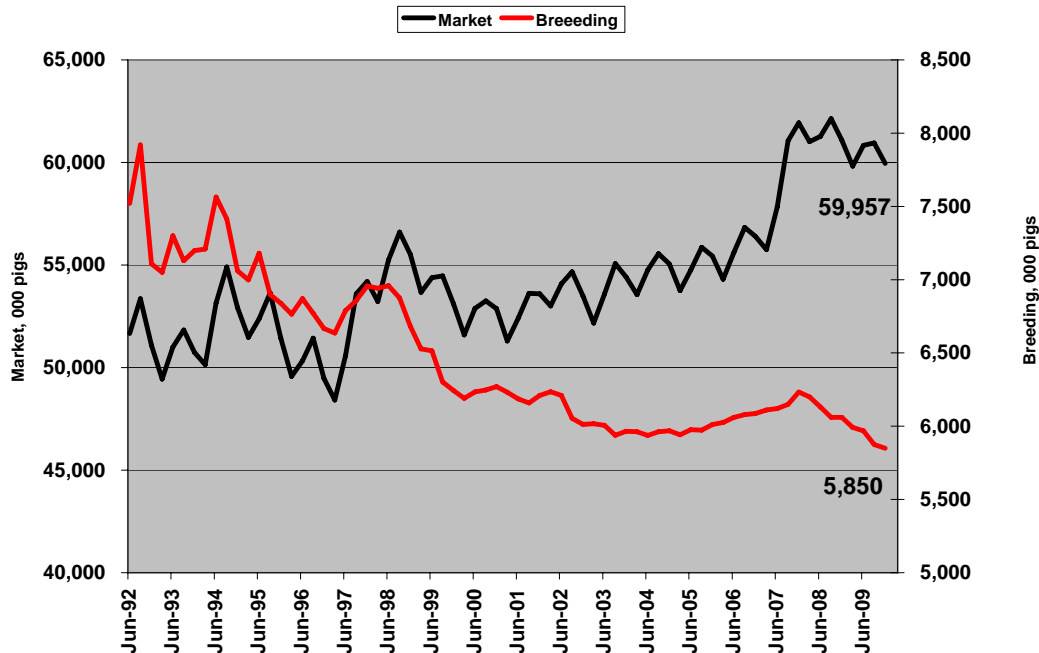
Some of the increase in inventory is most likely related to the influx of Canadian born feeder pigs. However, that number has declined dramatically. As of the week ending on December 19, 2009, there were 4,986,274 Canadian born feeders imported into the US, compared to 6,979,906 for the same period in 2008, or a 28.6% decline.

Barrows and gilts imported for slaughter declined even more dramatically, going from 1,633,707 in the 2008 period to 516,639 in the 2009 period. There was almost no change in the number of cull sows and boars imported into the US for slaughter.

Another piece of evidence for the productivity increase in the US and Canada herd is the combined North American inventory based on the September 1, 2008 US and October 1, 2008 Canadian numbers. The combined breeding herd declined 6.7% from its high on Dec/Jan 07-08 while the market inventory only dropped 3.7%. These declines occurred after the spike in the market inventory in the summer and fall of 2007 associated with the widespread adoption and use of circovirus vaccines.

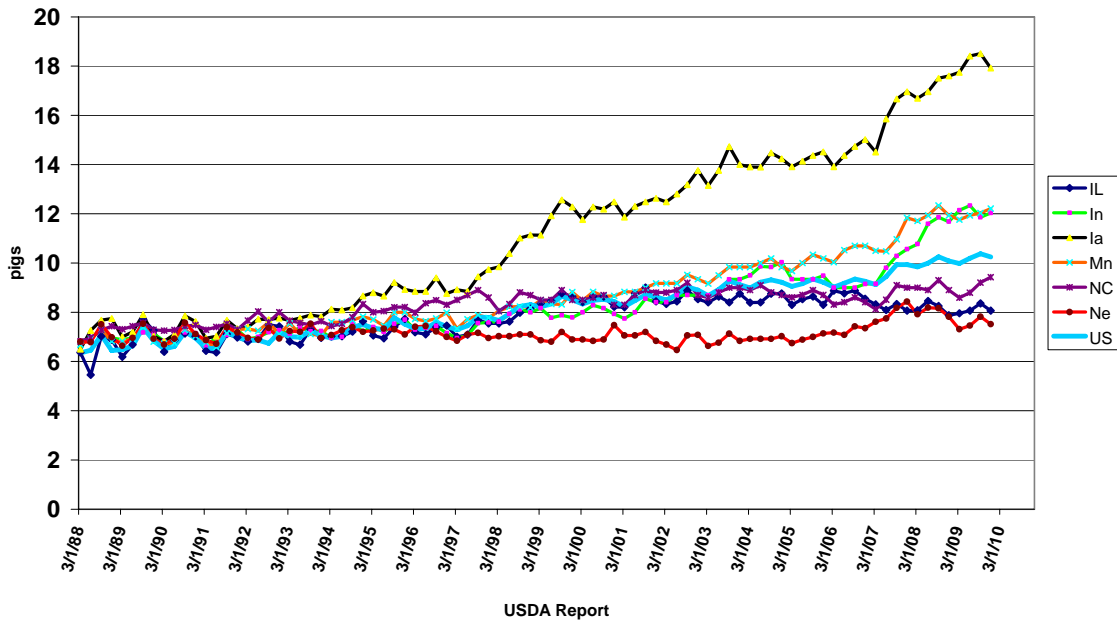
US producers appear to have a positive outlook on the future profitability, as evidenced by the recent upturn in SEW and feeder pig prices. Cash prices paid for SEW pigs are now higher than contract prices. Cash prices for 40 pound feed pigs have risen sharply and are approaching contract prices.

US Hogs and Pigs Report



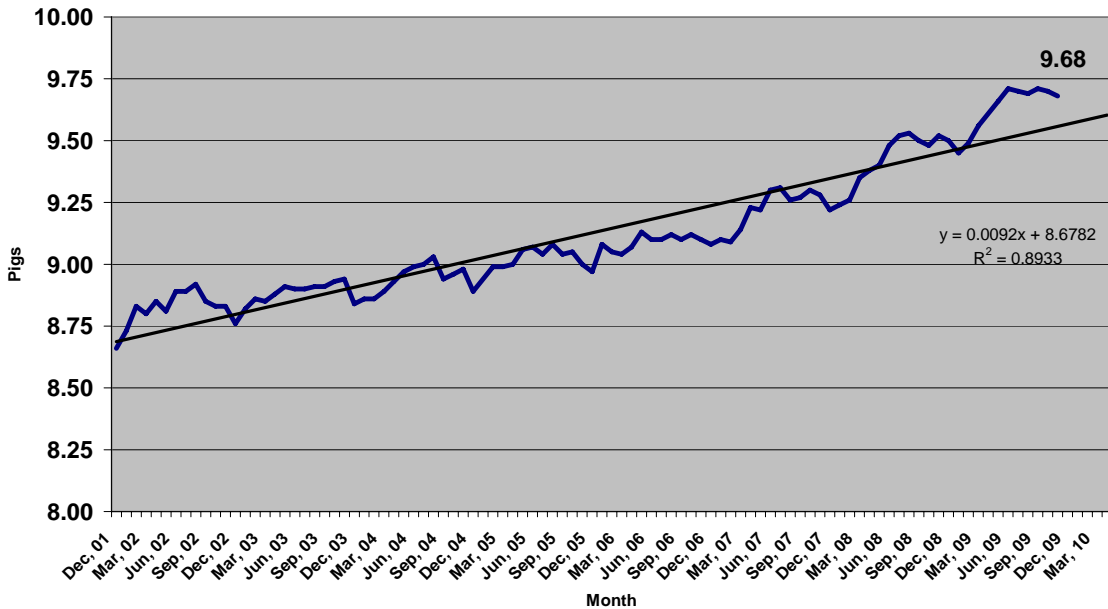
Market inventory per breeding inventory

top 6 states in total inventory

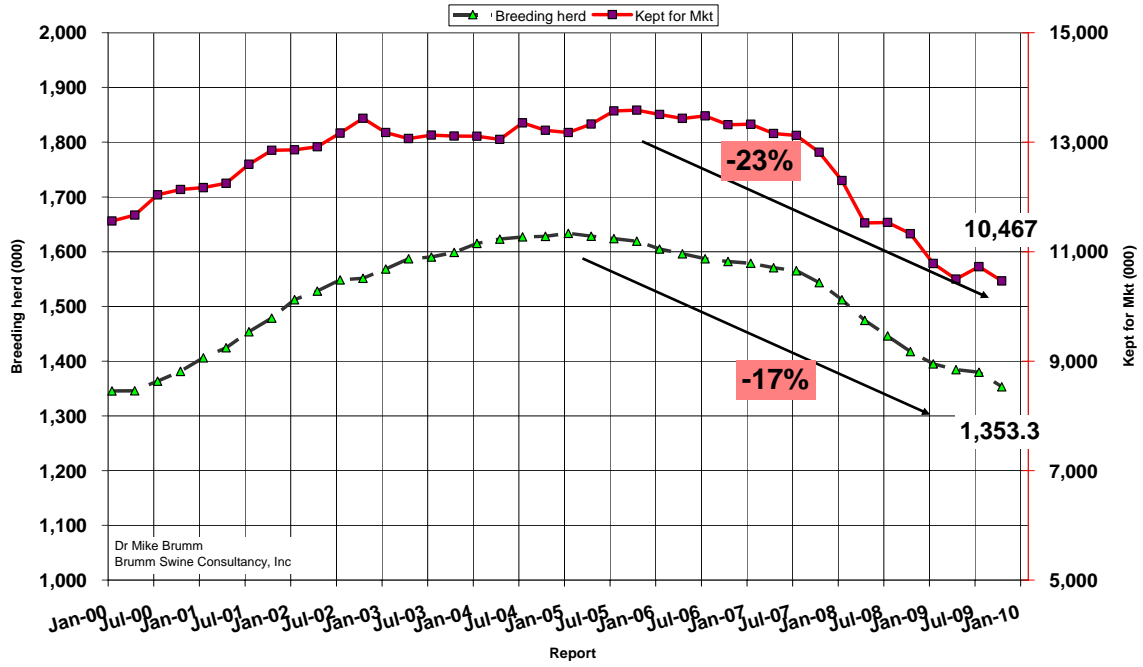


Pig per litter

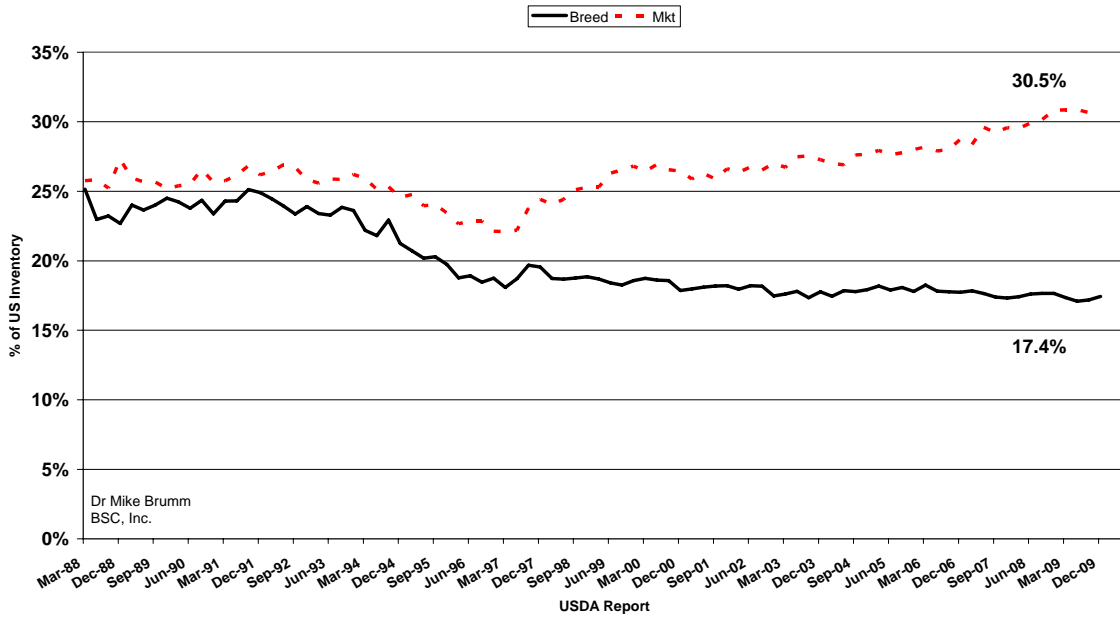
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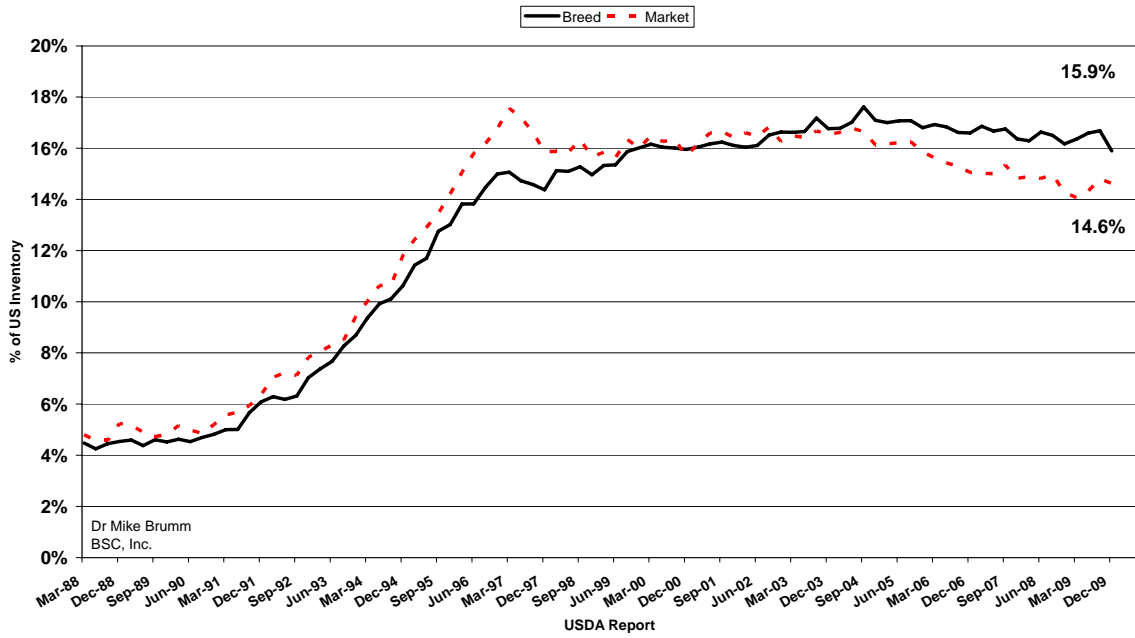
Canadian Swine Inventory



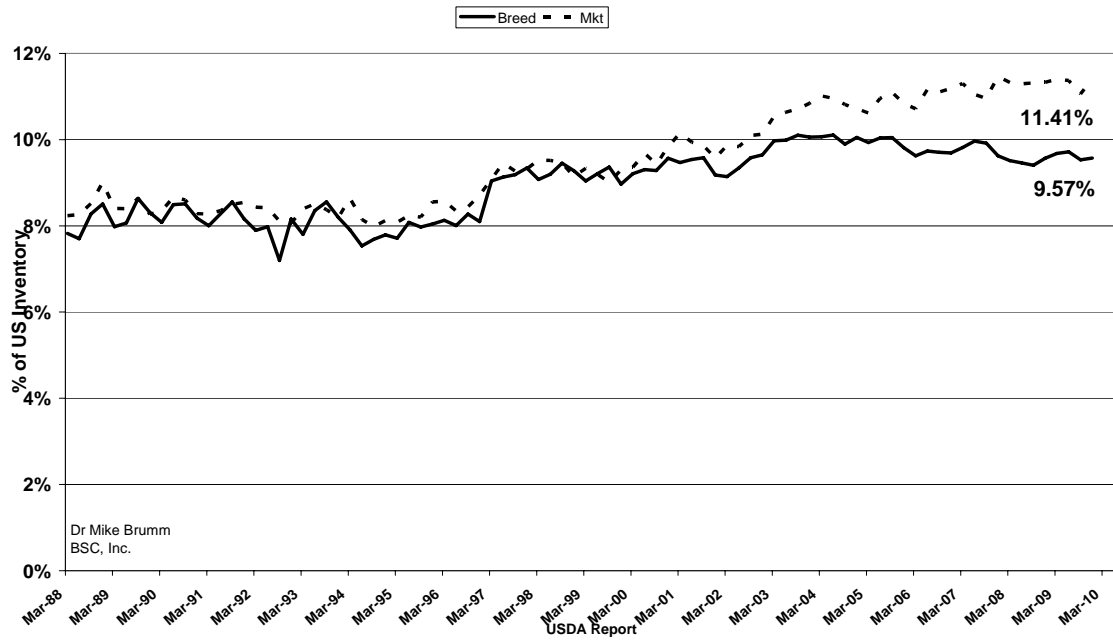
Iowa's Share



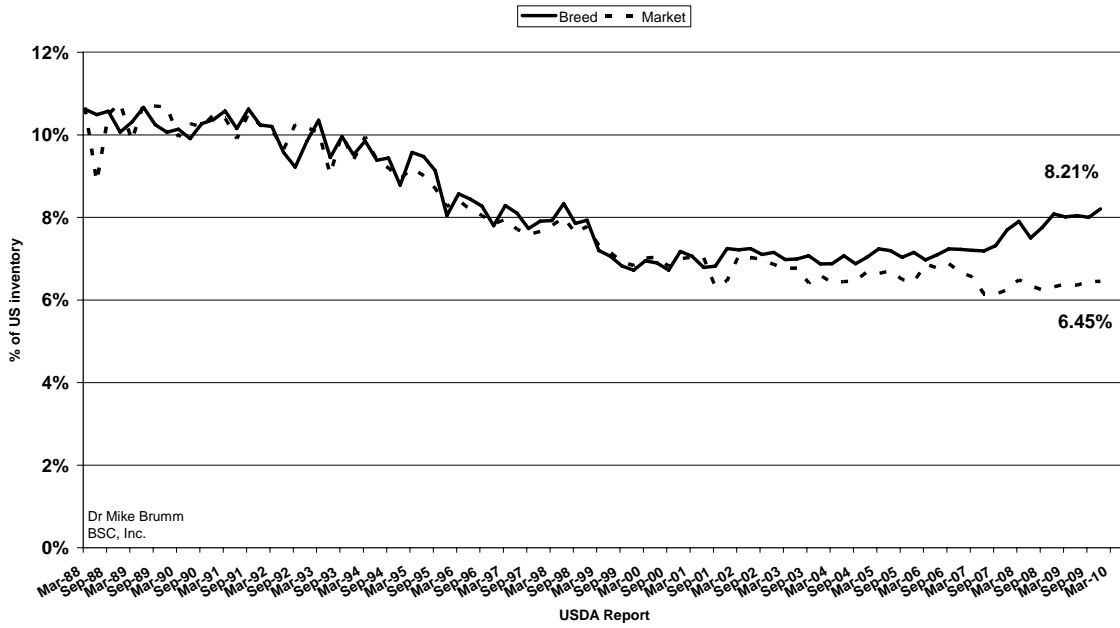
N Carolina Share



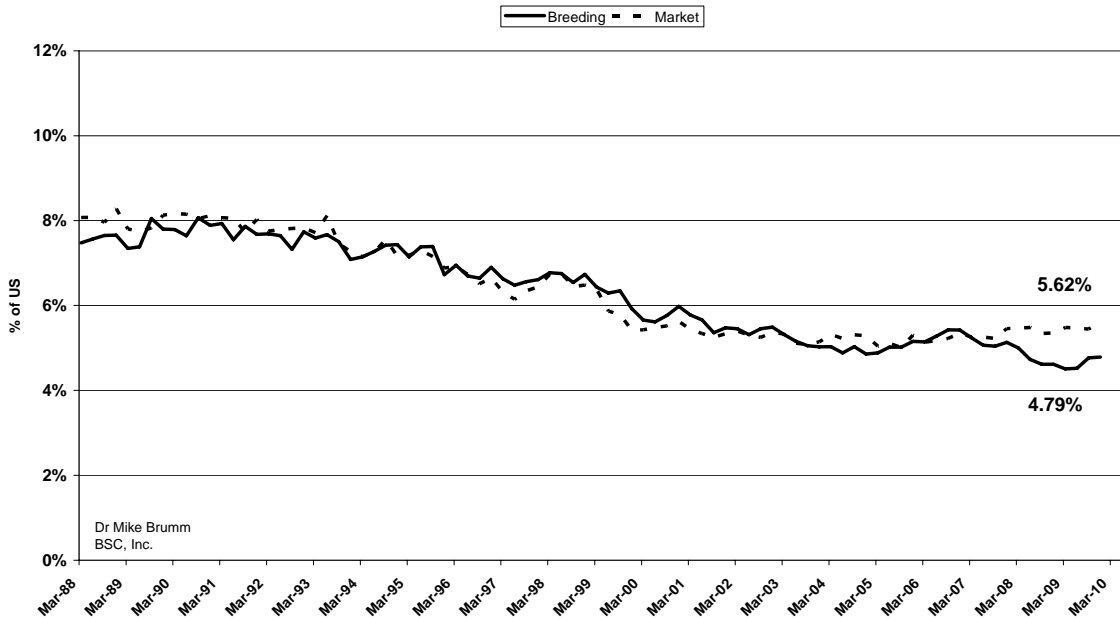
Minnesota's Share



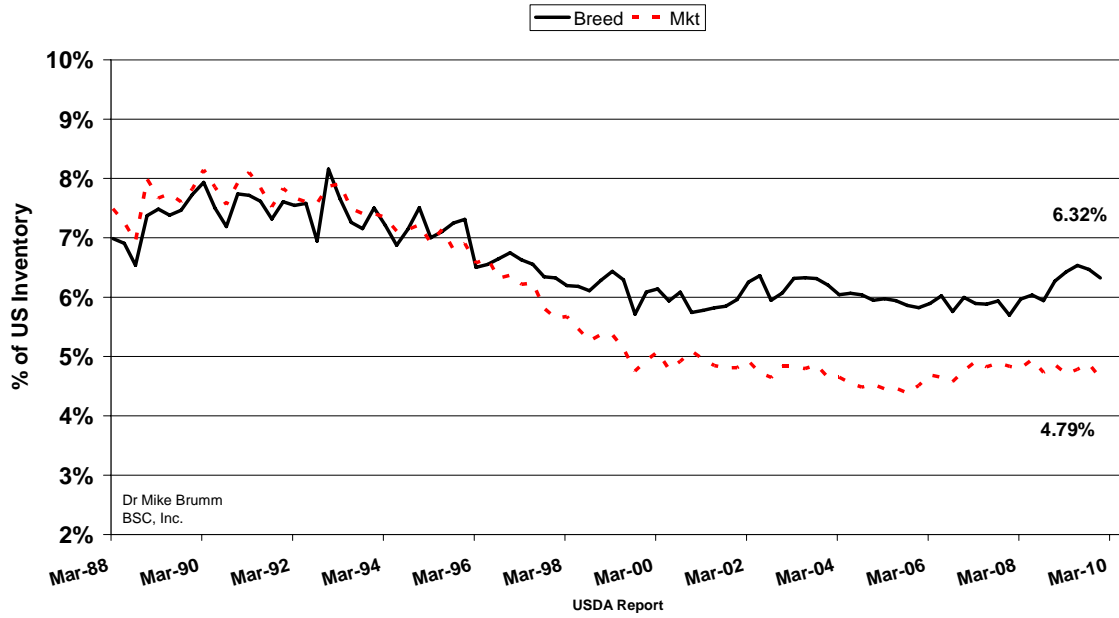
Illinois Share



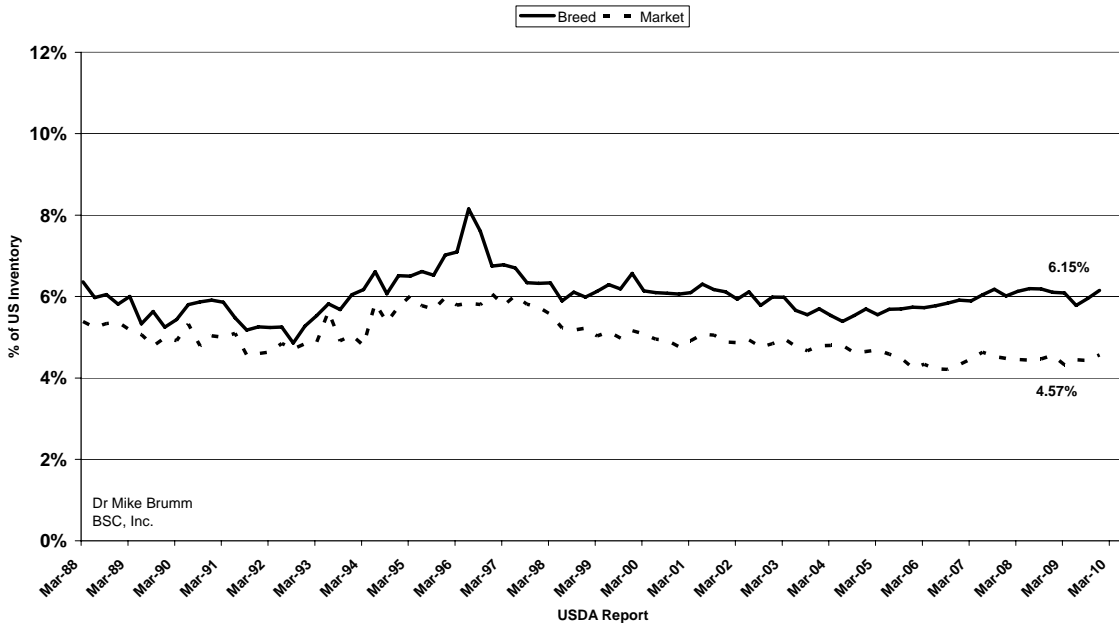
Indiana Share



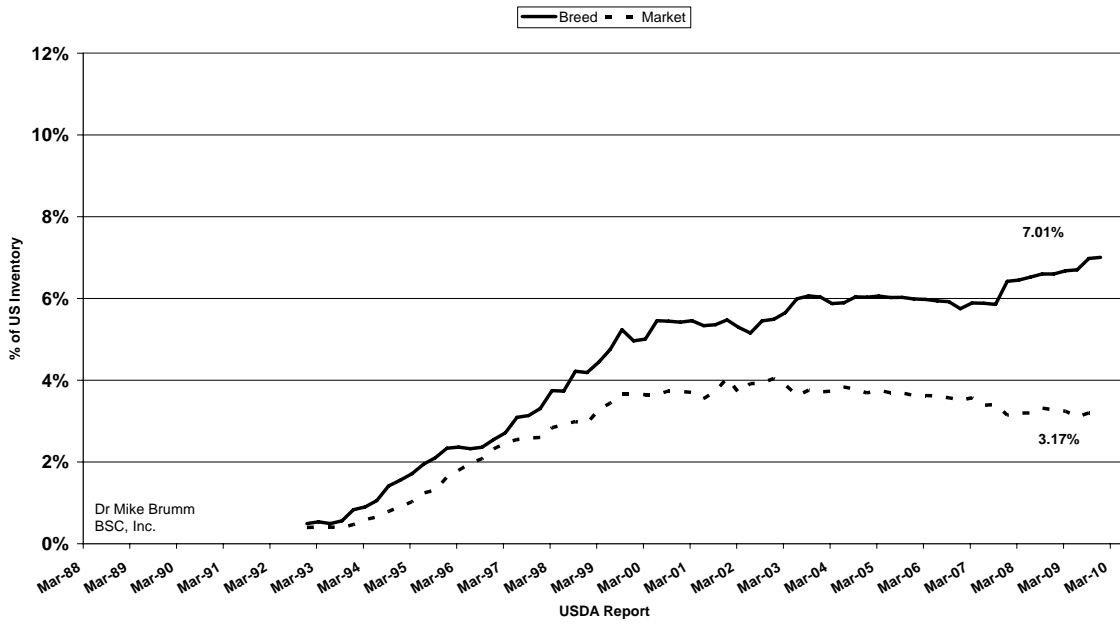
Nebraska's Share



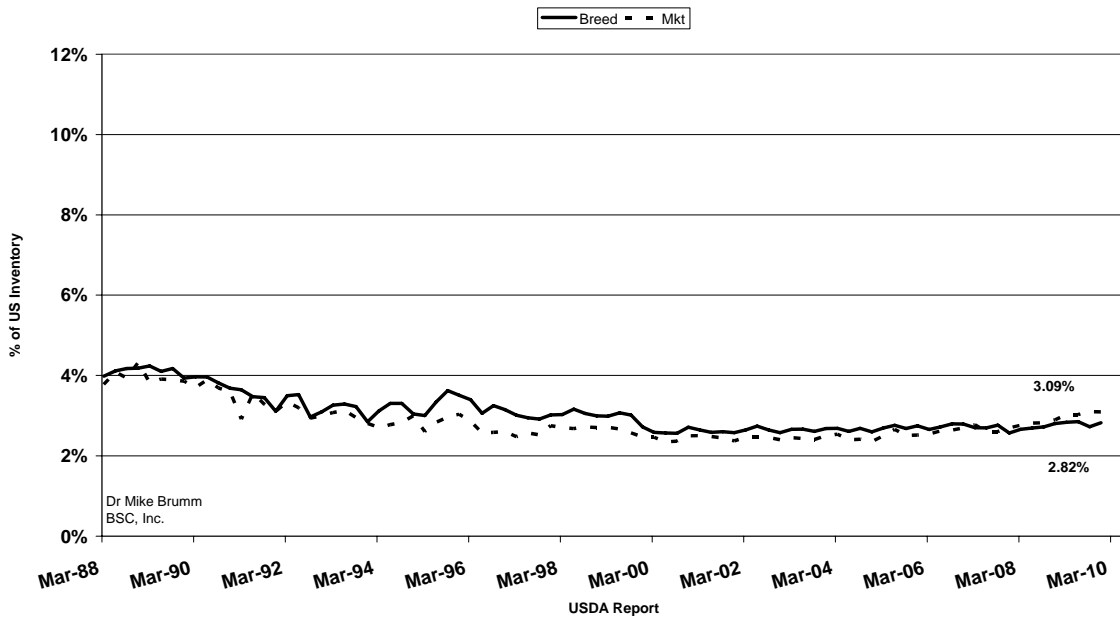
Missouri Share



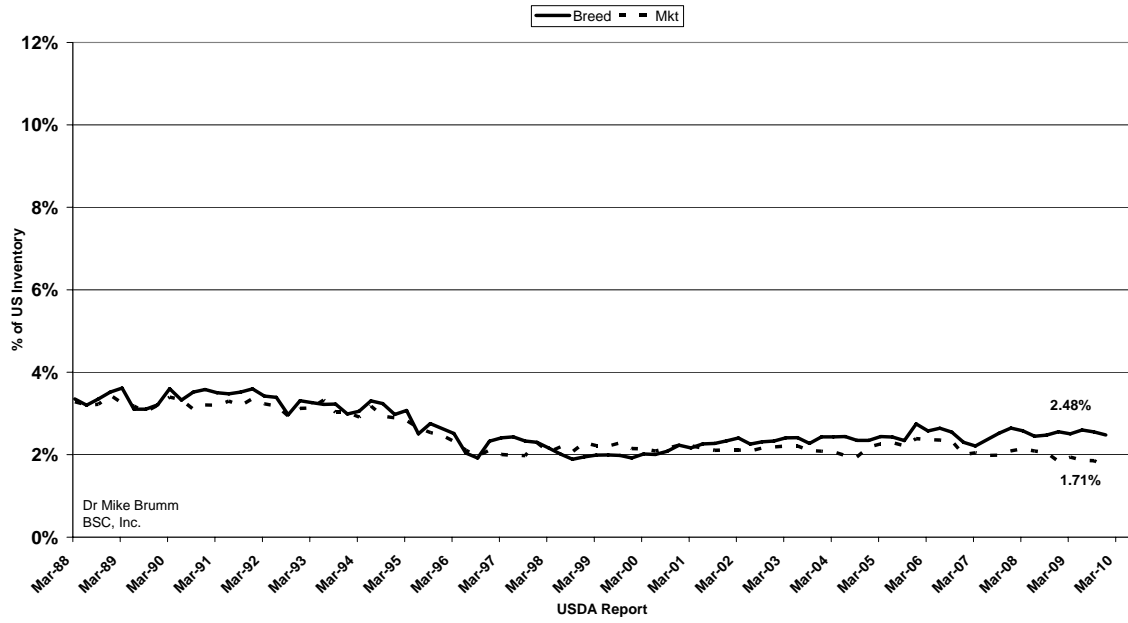
Oklahoma Share



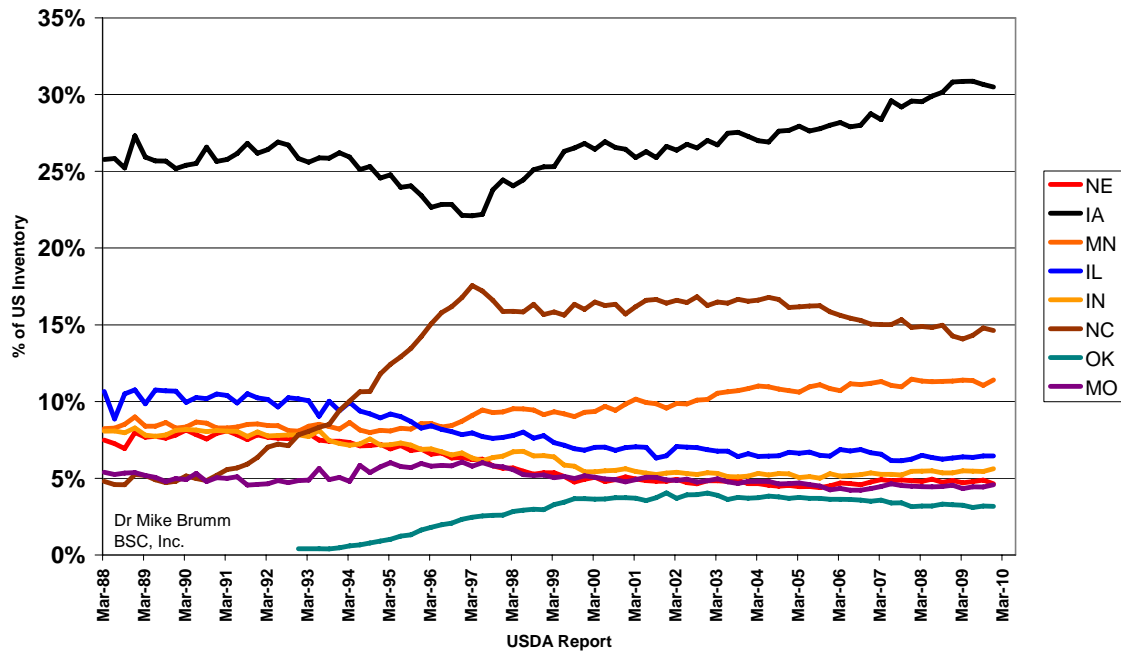
Ohio's Swine Industry



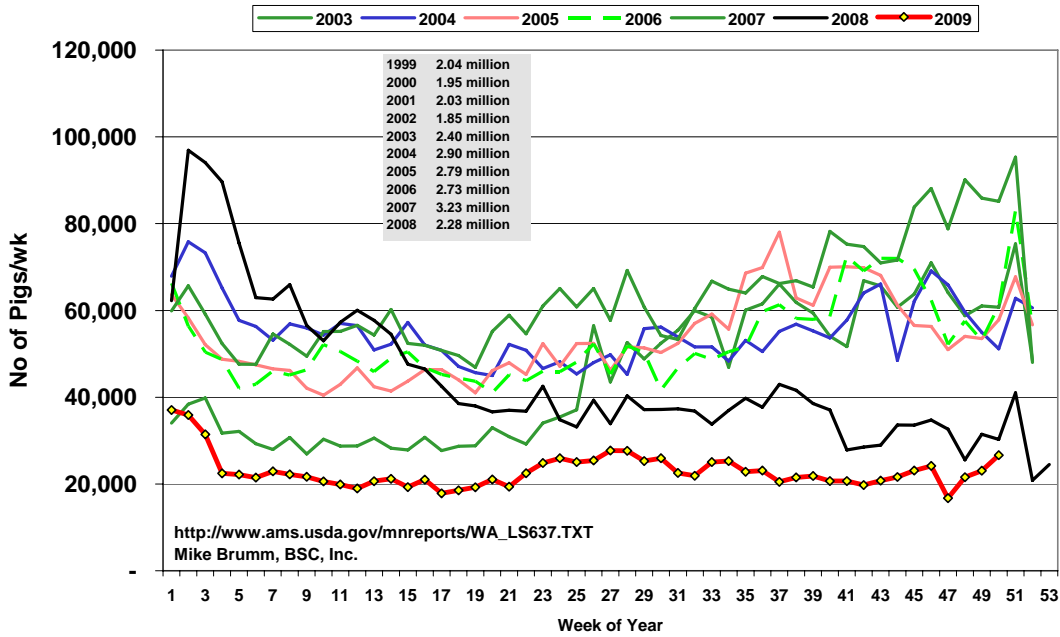
South Dakota's Swine Industry



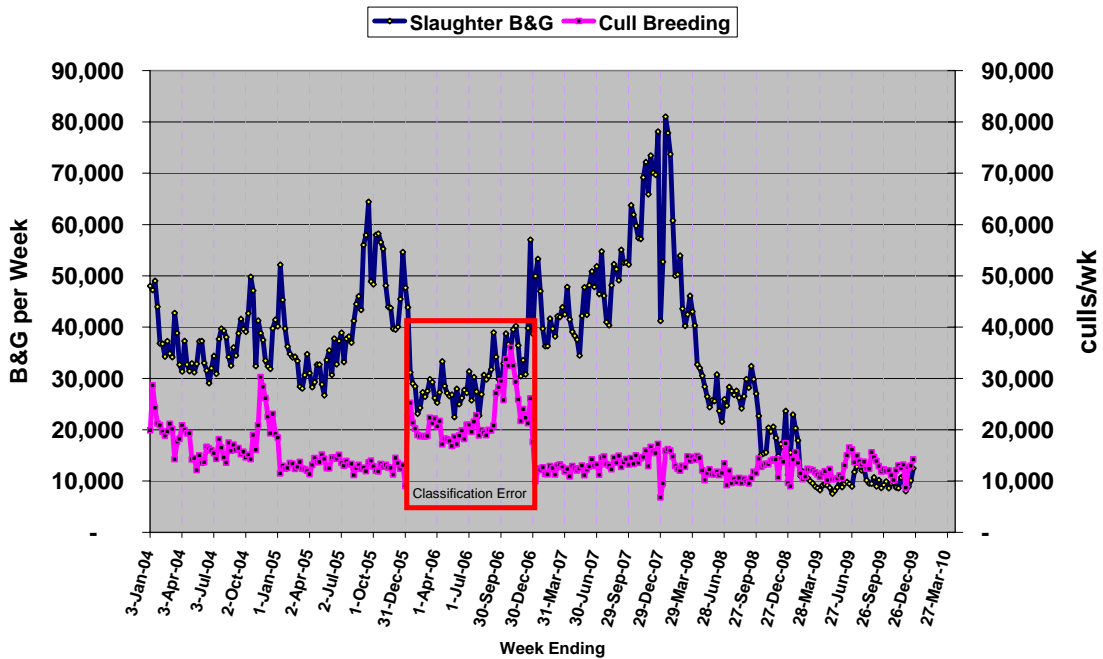
Where is the market pig inventory?



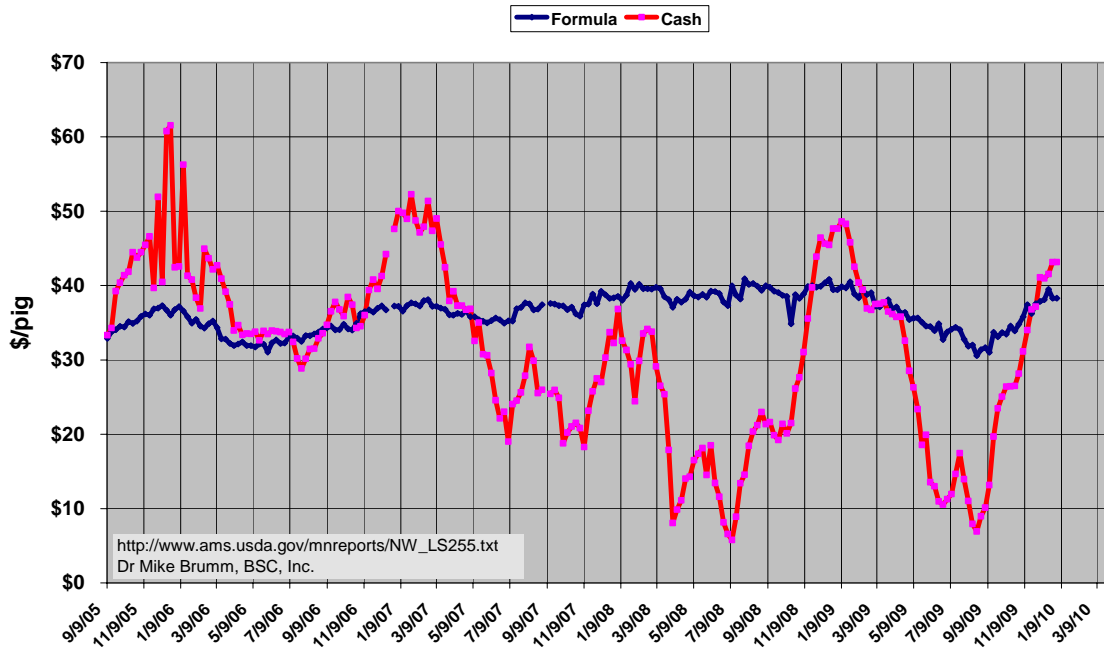
Canadian Slaughter Export to US Includes cull sows and boars



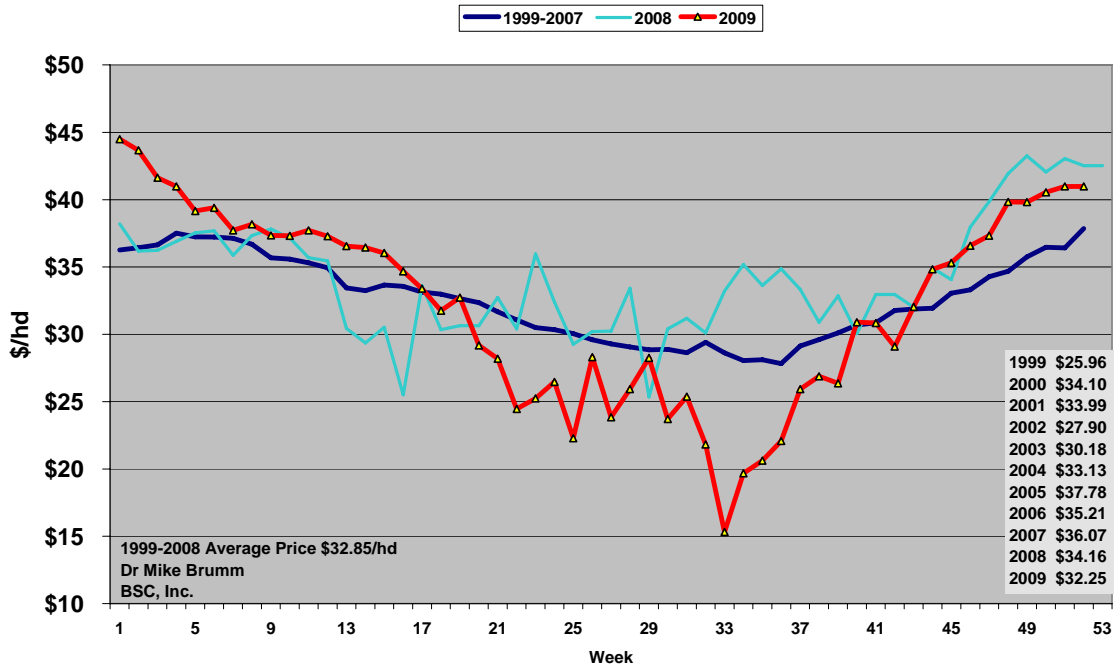
Canadian Slaughter Imports to US



SEW Price, USDA



SEW vs 2008 and 9 yr Price, USDA



40 Lb Feeder Pig Price, USDA

