

**Commentary on March 1, 2011
USDA Hogs and Pigs Report**

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Last Friday's USDA Hogs and Pigs report provided further proof that high feed grain prices are changing where pigs are grown to slaughter in the United States. In the early 1990's, pork production in North Carolina rapidly expanded. Pigs on North Carolina farms represented 17.56% of all pigs on US farms on September 1, 1997. This rapid growth occurred from 1990 when only 5% of the US inventory was located in North Carolina. On March 1, 2011 pigs on North Carolina farms represented only 13.45% of all hogs and pigs in the US.

While the decline in the size of the swine industry in North Carolina isn't as rapid as the buildup of the 1990's, it appears to be an ongoing trend. The question becomes, if pigs are no longer as plentiful in North Carolina, where are they now? Minnesota is the state that continues to have expansion in pork production. A review of the data suggests that the growth in the swine industry in Minnesota, when expressed as a percentage of all hogs and pigs on farms, began about the same time as numbers in North Carolina peaked. At the current rate of growth in Minnesota numbers and the rate of decline in North Carolina numbers, Minnesota may surpass North Carolina in the kept for market inventory sometime in 2015. This suggests that the demand for quality grow-finish facilities and contract growers will continue in the upper Midwest.

Unlike growing pigs represented in the kept for market inventory numbers which are concentrating in the Midwest corn belt states, sows are still more diversified in location. As an example, South Dakota is showing gradual growth in sow inventory (now 3% of the US total) while kept for market numbers have been relatively flat at 2% of inventory. Oklahoma has 7.1% of the sow inventory and Colorado 2.9%.

Southern Minnesota and Iowa are the destination for a majority of the pigs farrowed in other states and weaned pigs imported from Canada. There is no evidence in this Hogs and Pigs report or in the weekly Canadian import statistics to suggest that the demand for high quality weaned pigs has lessened in these 2 states. The only other state with a growing demand for weaned pigs is Indiana and my industry contacts suggest that a majority of these imported pigs are from North Carolina farrowing sites.

While the numbers and location of pigs are important market information pieces, we can't forget the impact of slaughter weight on total pork supplies in the US. Included in this commentary is a graphic of the average Iowa-Southern Minnesota live weight at slaughter by week since January 1, 2005. There is no evidence in this graphic that producers in this production area are reducing sale weight in reaction to high feed grain prices.

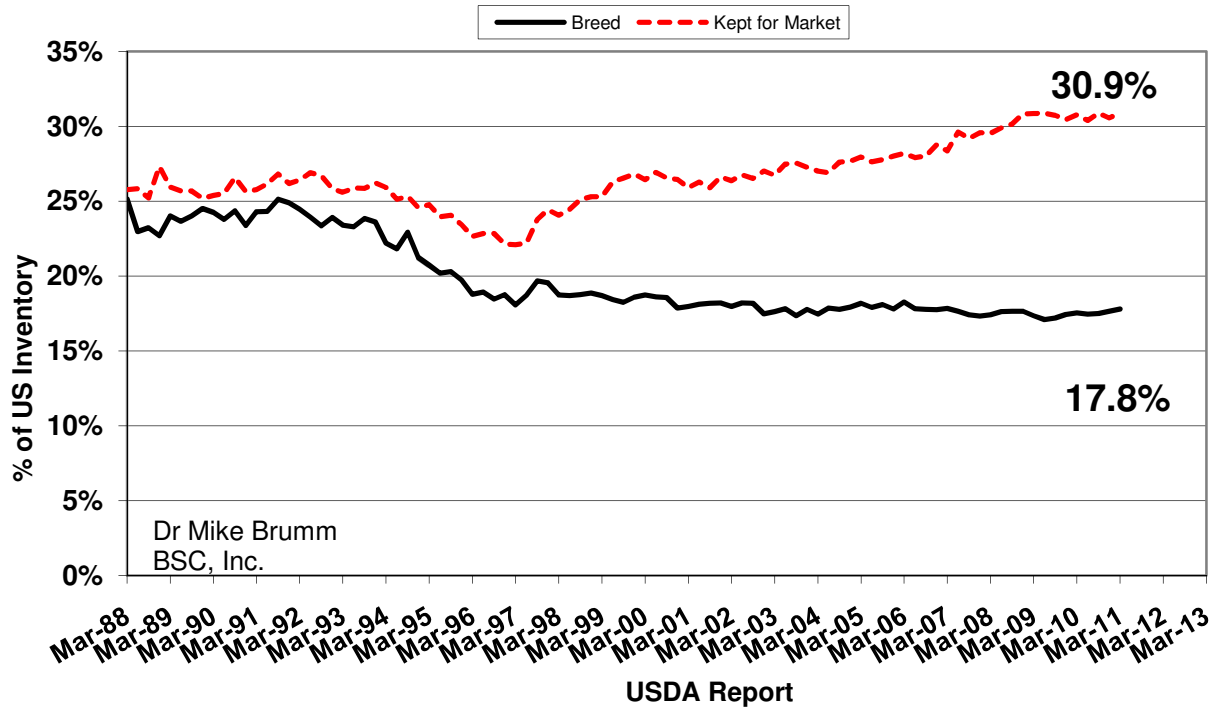
Purchasers of weaned pigs and feeder pigs remain optimistic as to their profit opportunities. While cash prices paid for weaned and feeder pigs have moderated from their February peak, they still remain strong and well above historic prices.

Productivity growth of the breeding herd continues as measured by pigs weaned per litter. For the past 12 months this number has been above the 9 year trend line.

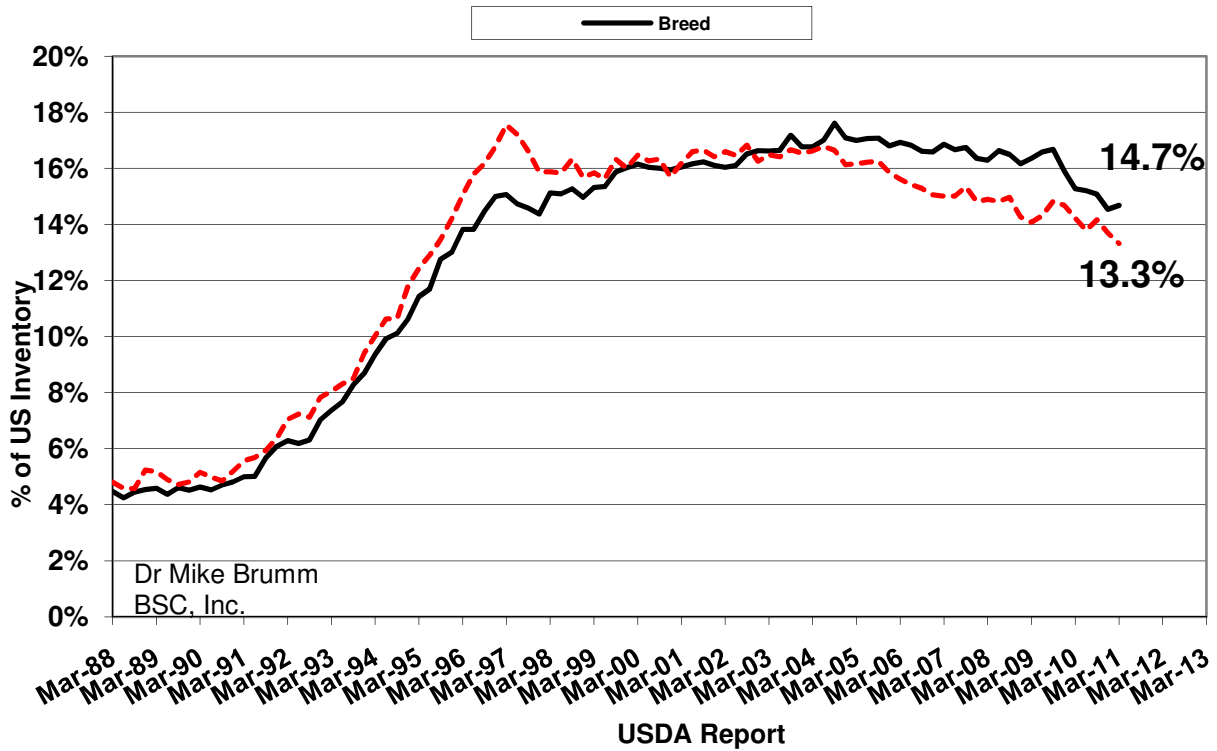
Table 1. March 1, 2011 Inventory for all states with over 1 million pigs in inventory.

| Rank | State | 000 hd | | | % Breed | % Mkt | % Total |
|------|--------------|----------|--------|--------|---------|-------|---------|
| | | Breeding | Mkt | Total | | | |
| 1 | Iowa | 1,030 | 17,970 | 19,000 | 17.8% | 30.9% | 29.7% |
| 2 | N Carolina | 850 | 7,750 | 8,600 | 14.7% | 13.3% | 13.4% |
| 3 | Minnesota | 560 | 7,040 | 7,600 | 9.7% | 12.1% | 11.9% |
| 4 | Illinois | 470 | 3,930 | 4,400 | 8.1% | 6.8% | 6.9% |
| 5 | Indiana | 290 | 3,310 | 3,600 | 5.0% | 5.7% | 5.6% |
| 6 | Nebraska | 370 | 2,730 | 3,100 | 6.4% | 4.7% | 4.8% |
| 7 | Missouri | 360 | 2,490 | 2,850 | 6.2% | 4.3% | 4.5% |
| 8 | Oklahoma | 410 | 1,910 | 2,320 | 7.1% | 3.3% | 3.6% |
| 9 | Ohio | 170 | 1,820 | 1,990 | 2.9% | 3.1% | 3.1% |
| 10 | Kansas | 170 | 1,650 | 1,820 | 2.9% | 2.8% | 2.8% |
| 11 | S Dakota | 175 | 1,135 | 1,310 | 3.0% | 2.0% | 2.0% |
| 12 | Pennsylvania | 95 | 1,015 | 1,100 | 1.6% | 1.7% | 1.7% |
| 13 | Michigan | 110 | 920 | 1,030 | 1.9% | 1.6% | 1.6% |

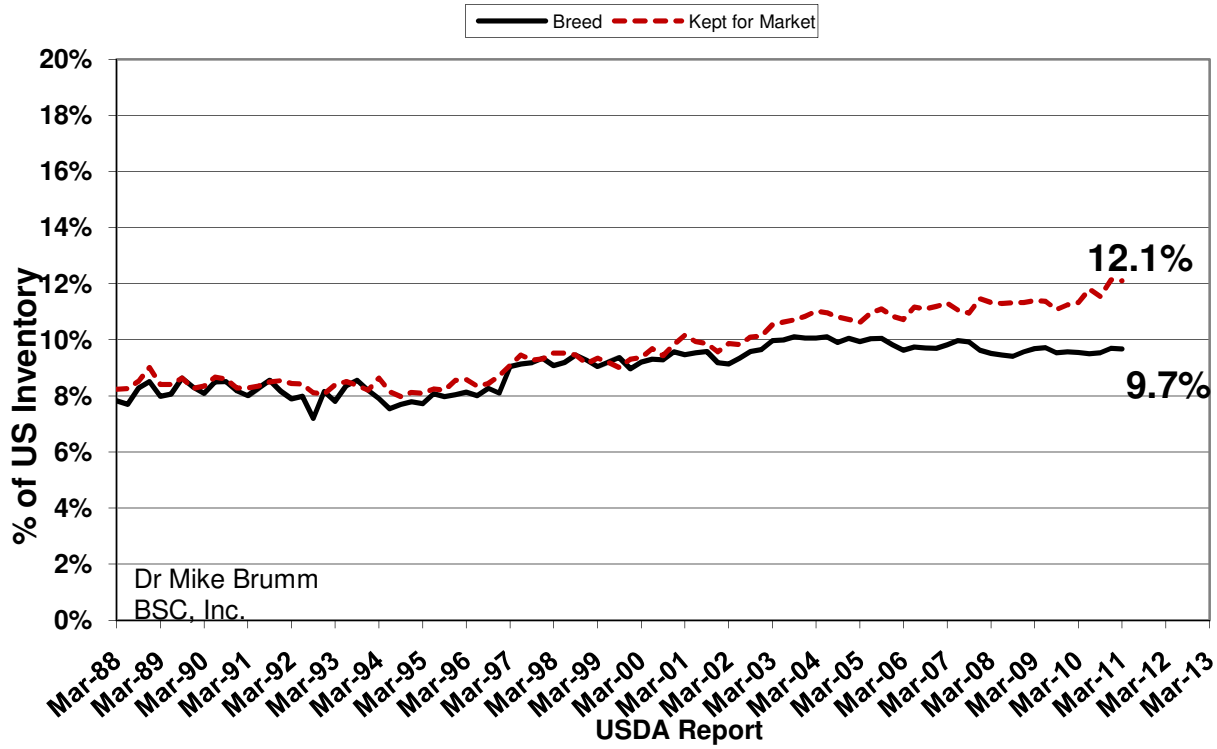
Iowa's Share



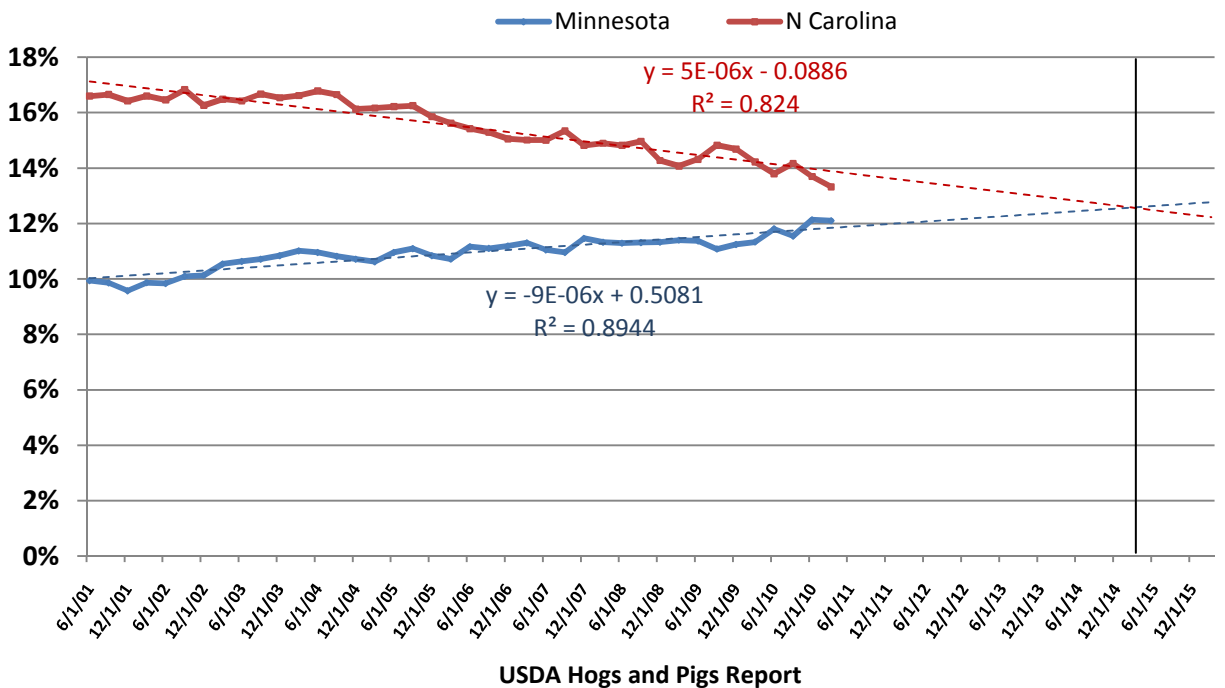
N Carolina Share



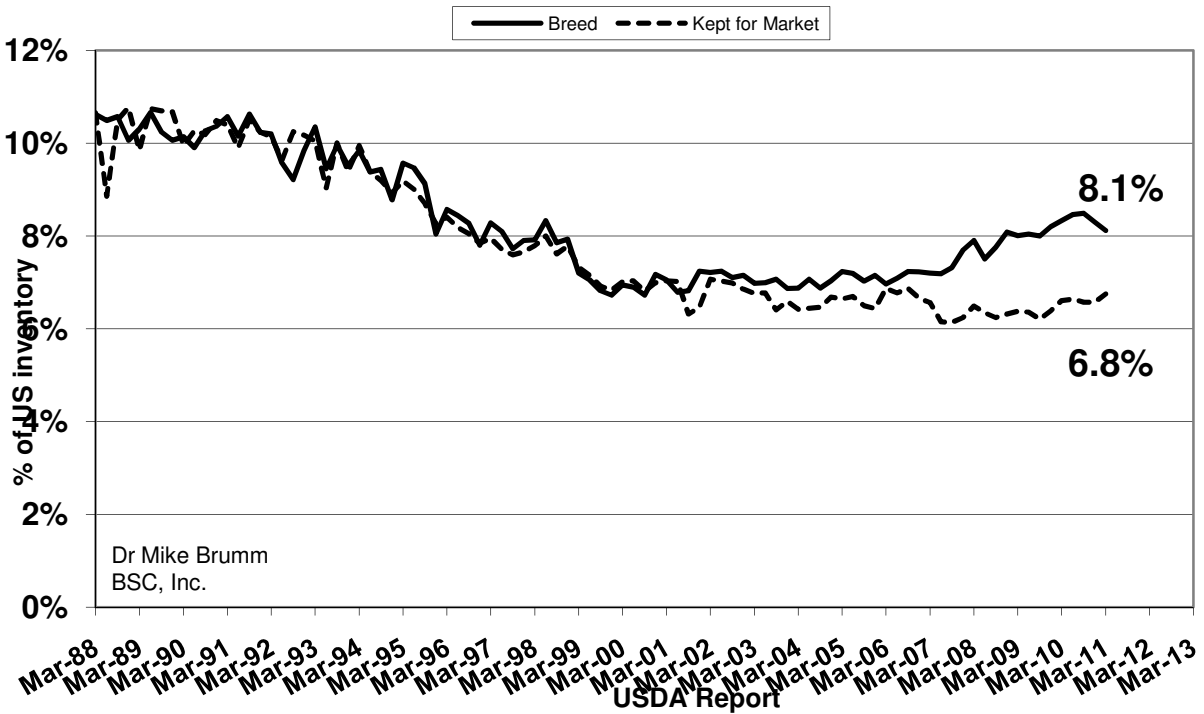
Minnesota's Share



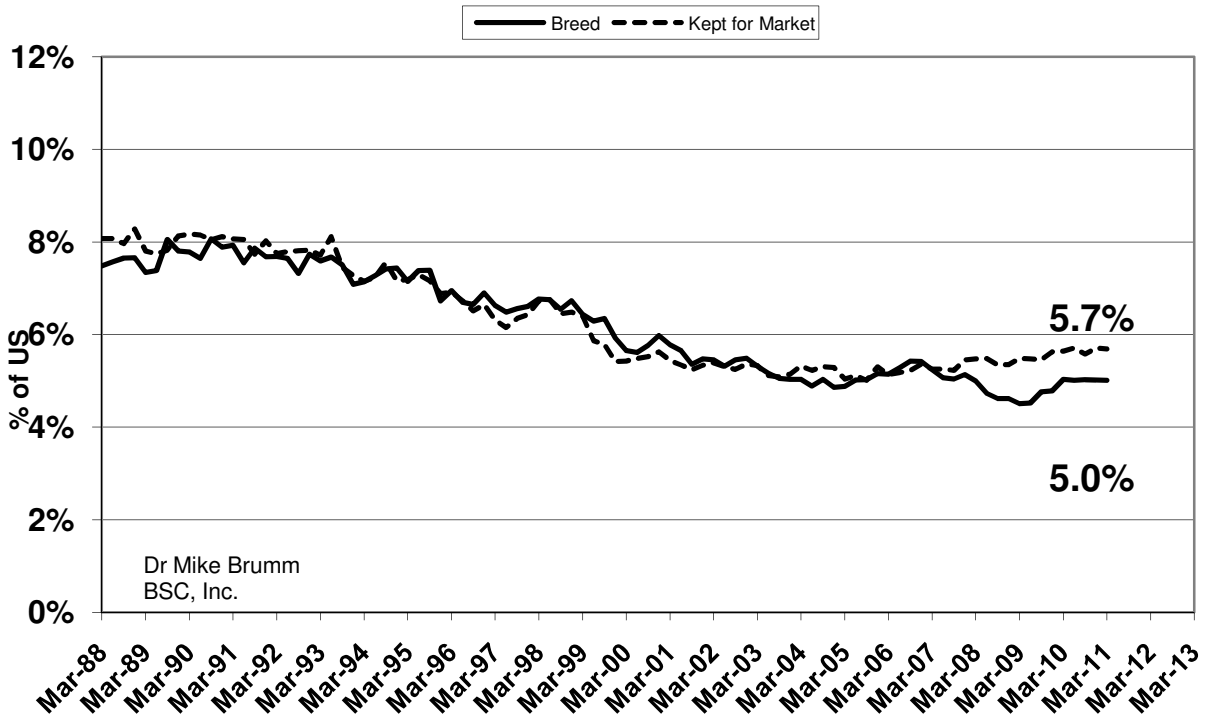
% of USDA Kept for Market Inventory



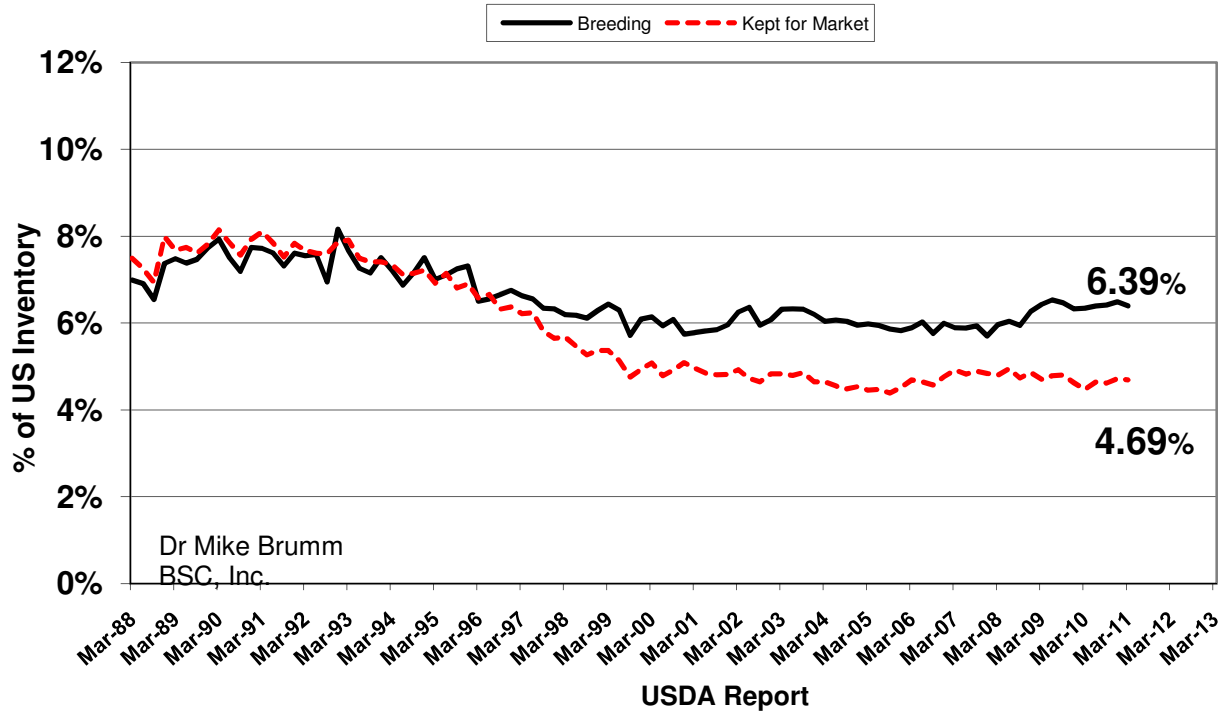
Illinois Share



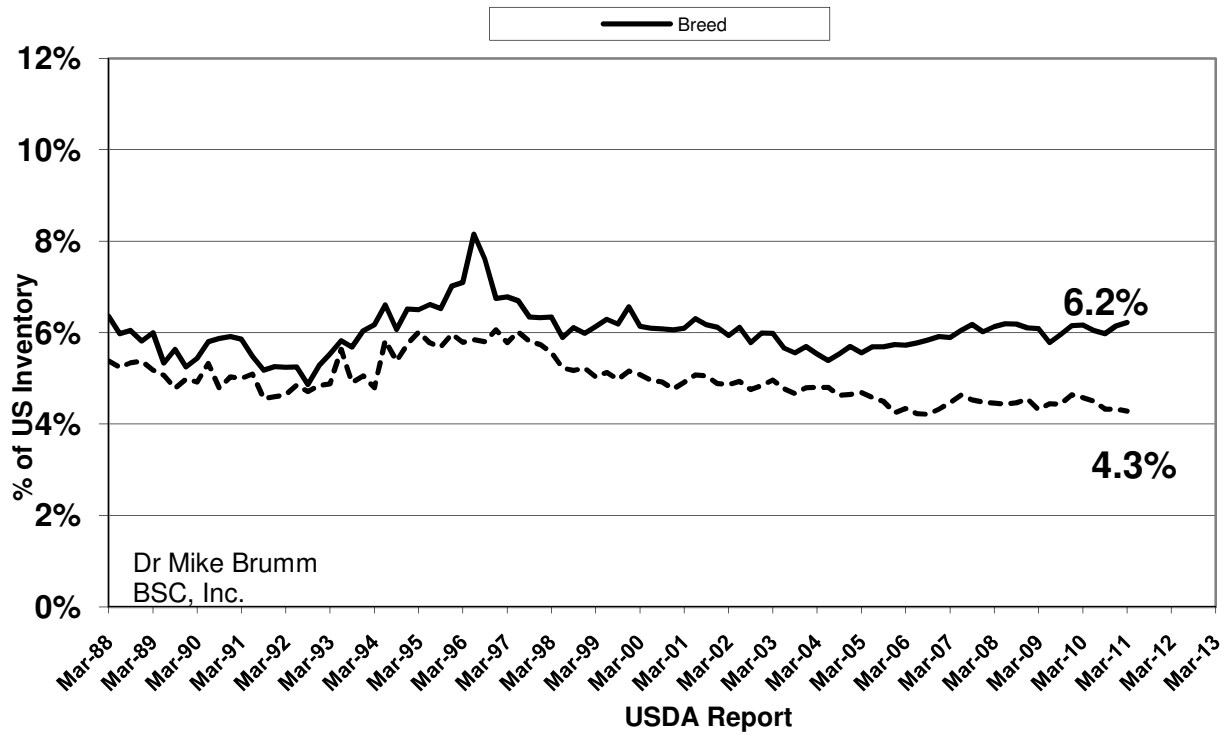
Indiana Share



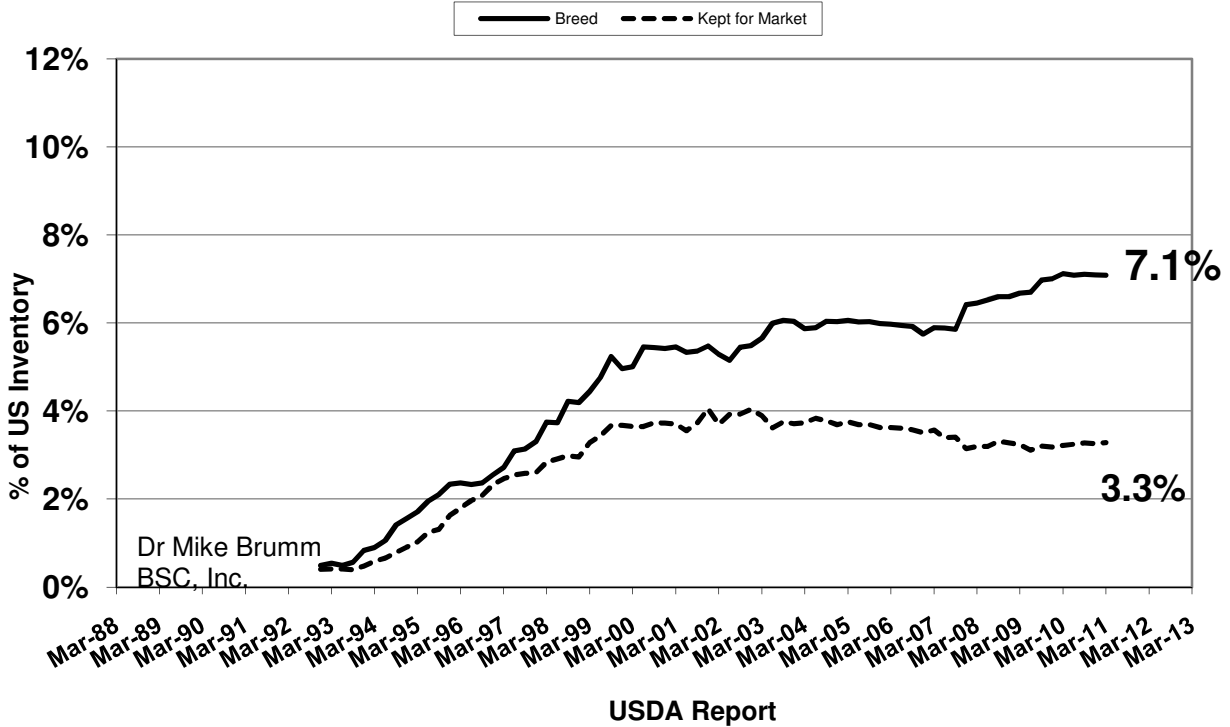
Nebraska's Share



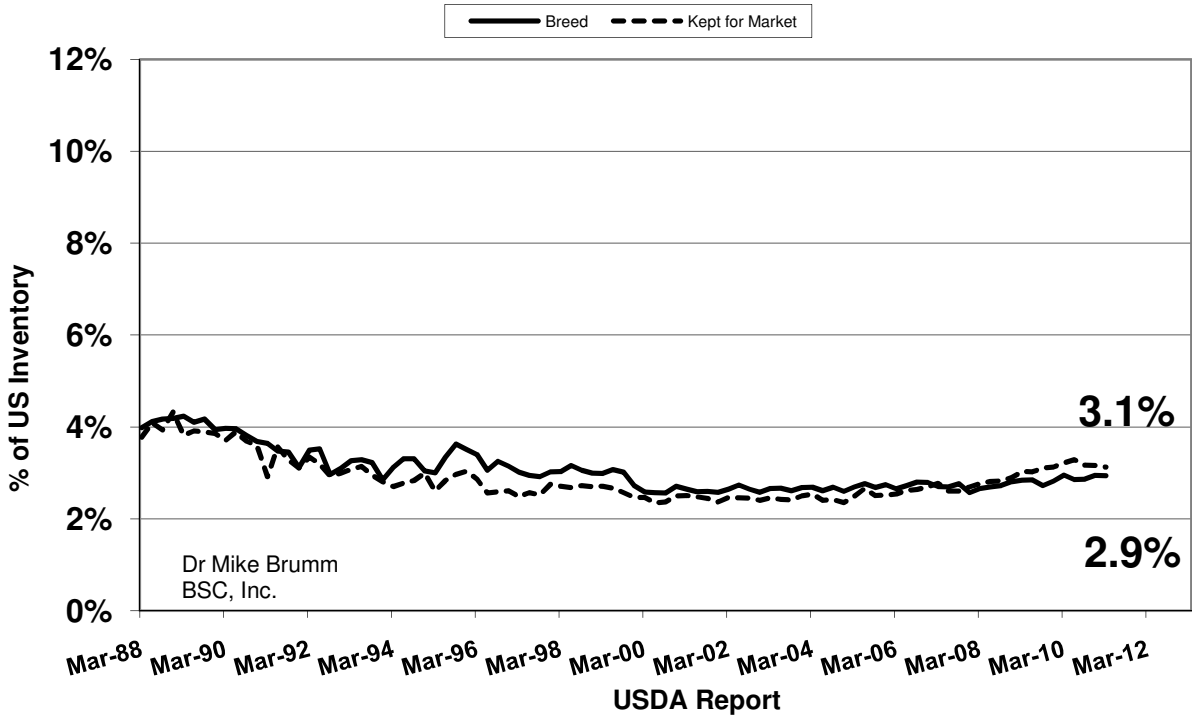
Missouri Share



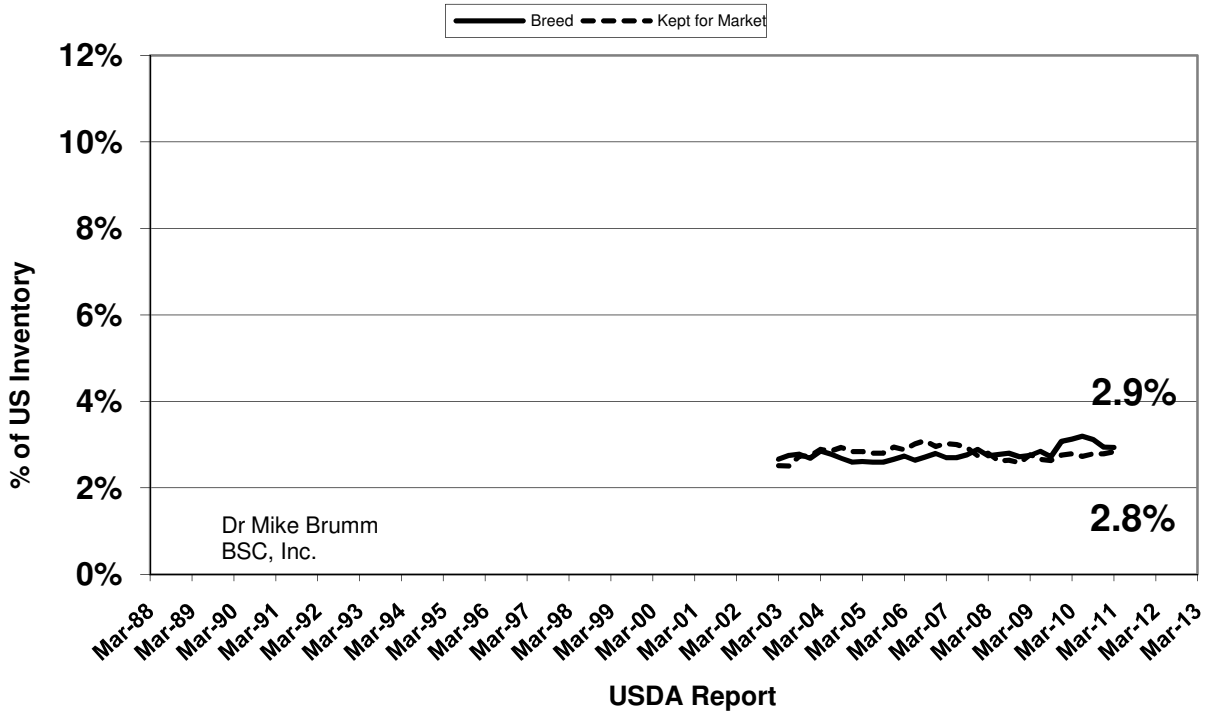
Oklahoma Share



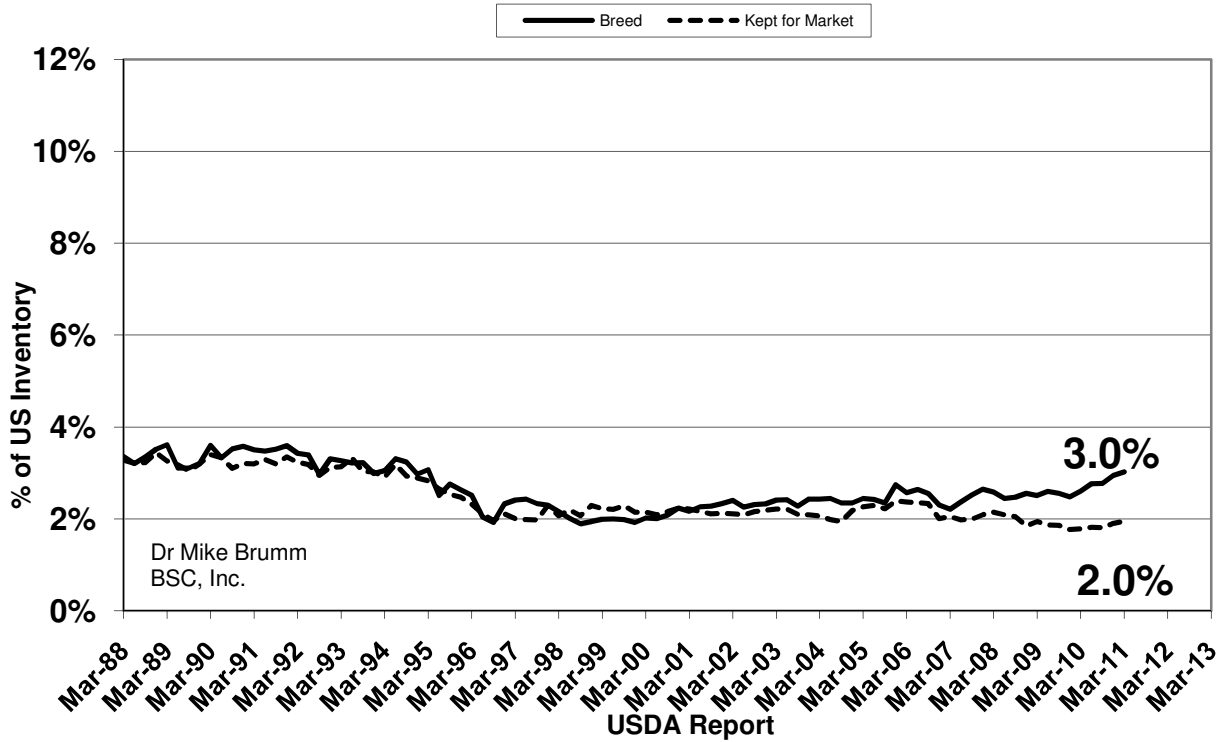
Ohio's Swine Industry



Kansas's Swine Industry

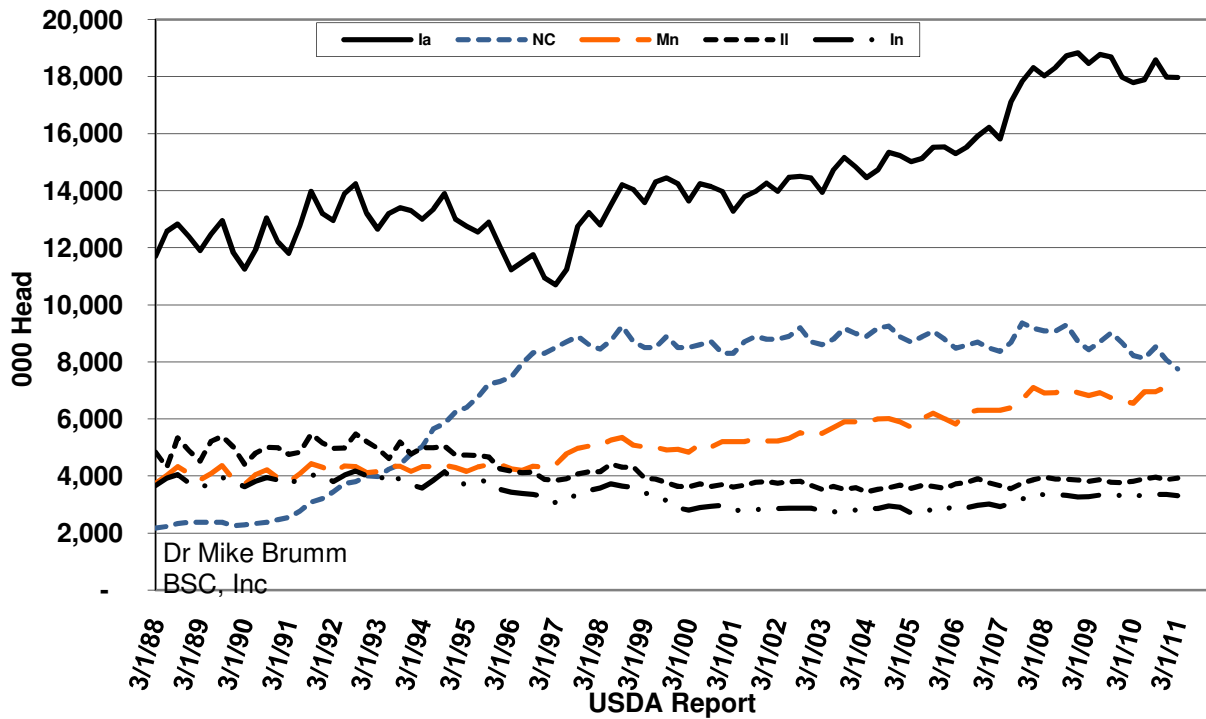


South Dakota's Swine Industry



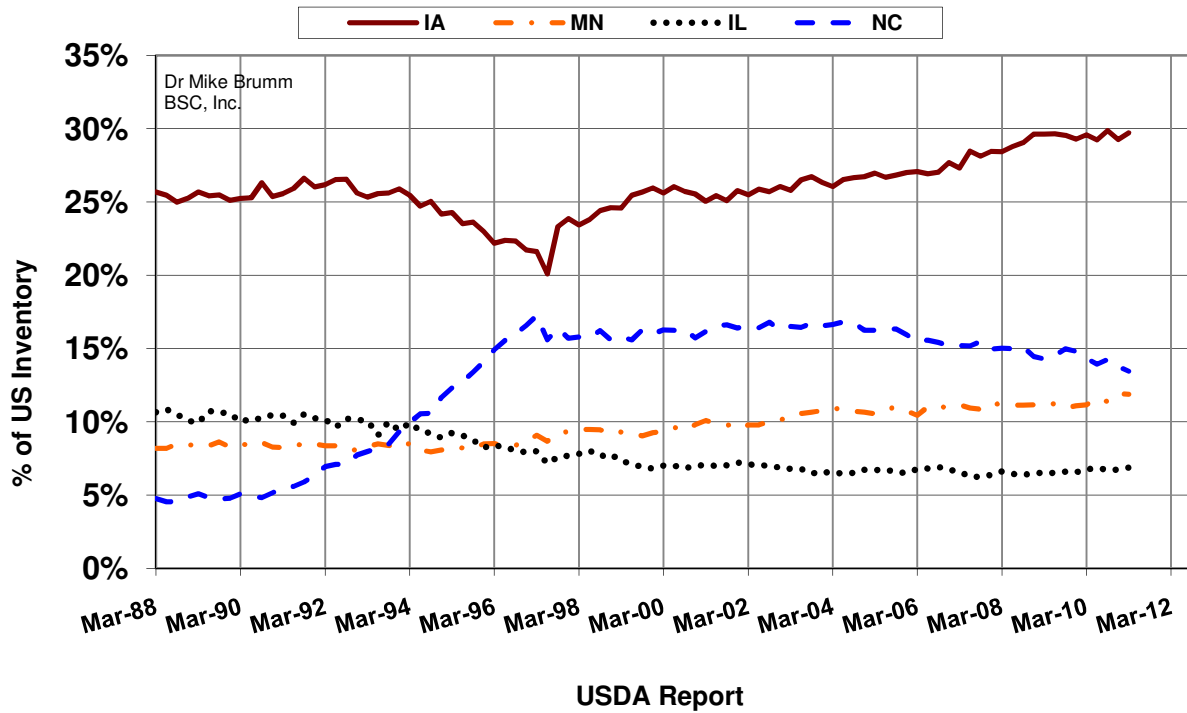
Market Inventory

5 Leading States - 68.8% 3/1/11

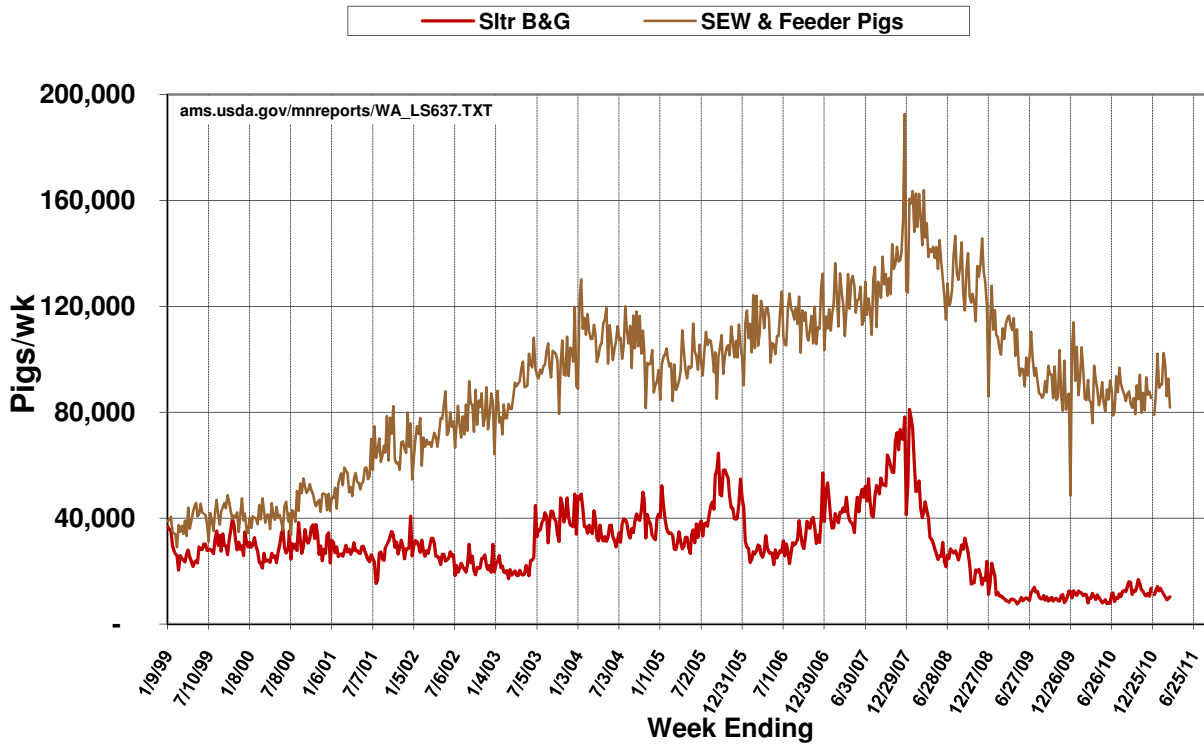


Iowa's Dominance

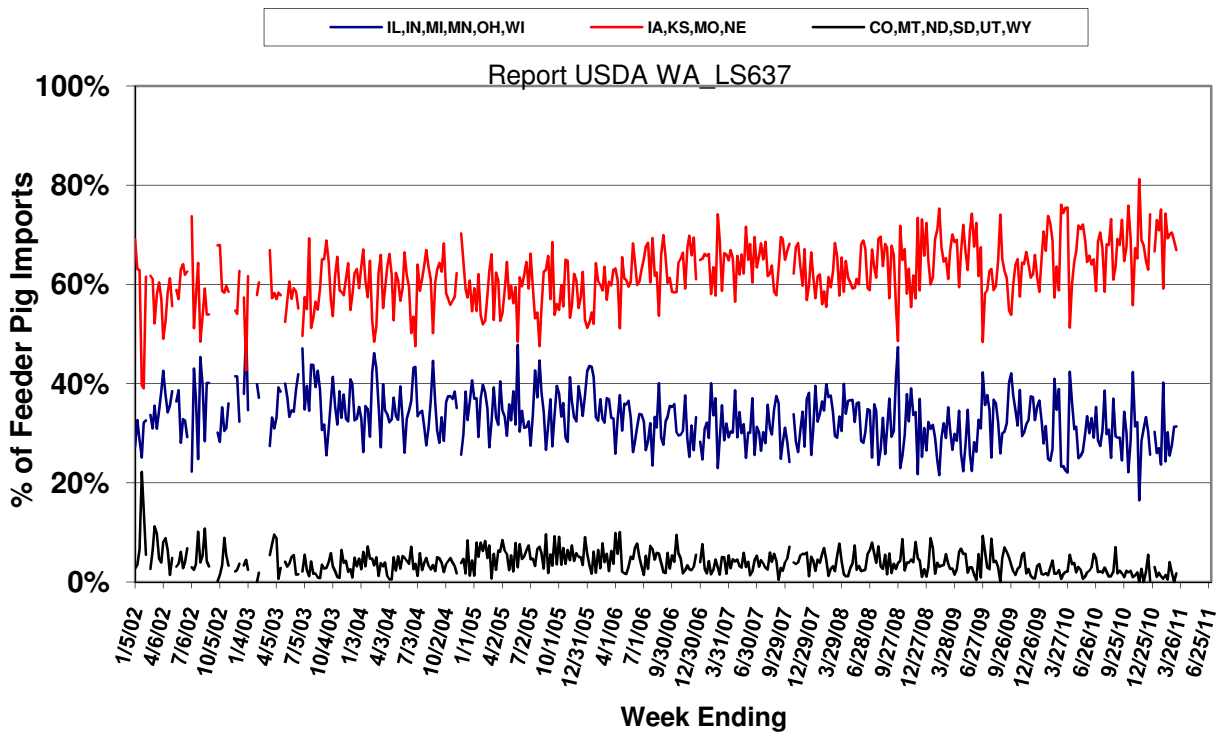
All Hogs and Pigs - 61.9% of US Inventory 3/1/11



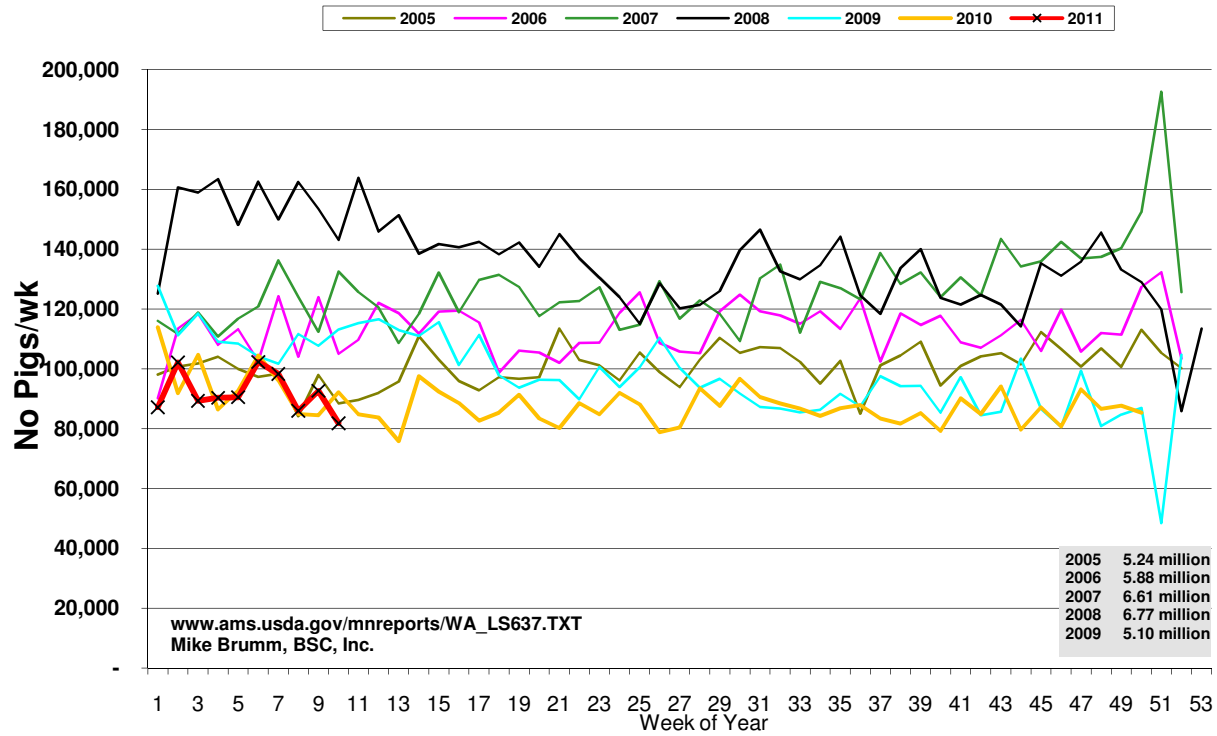
Canadian Live Pig Exports to US



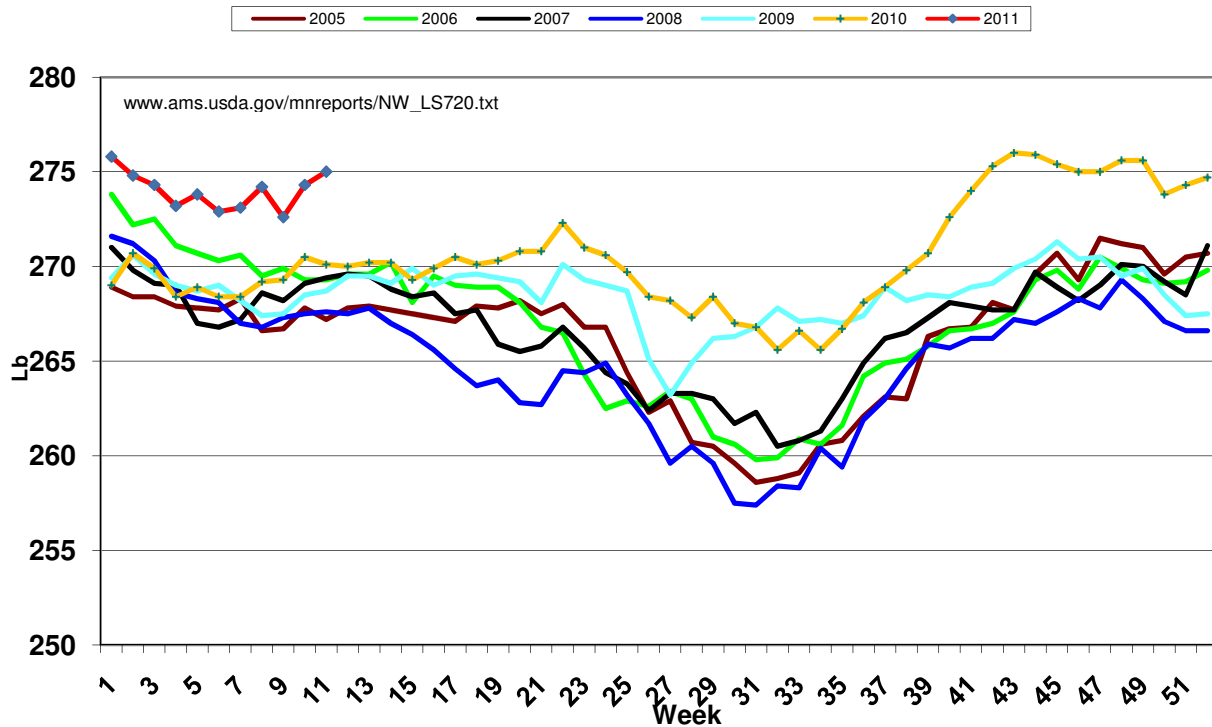
Canadian Feeder Pig Imports by Region



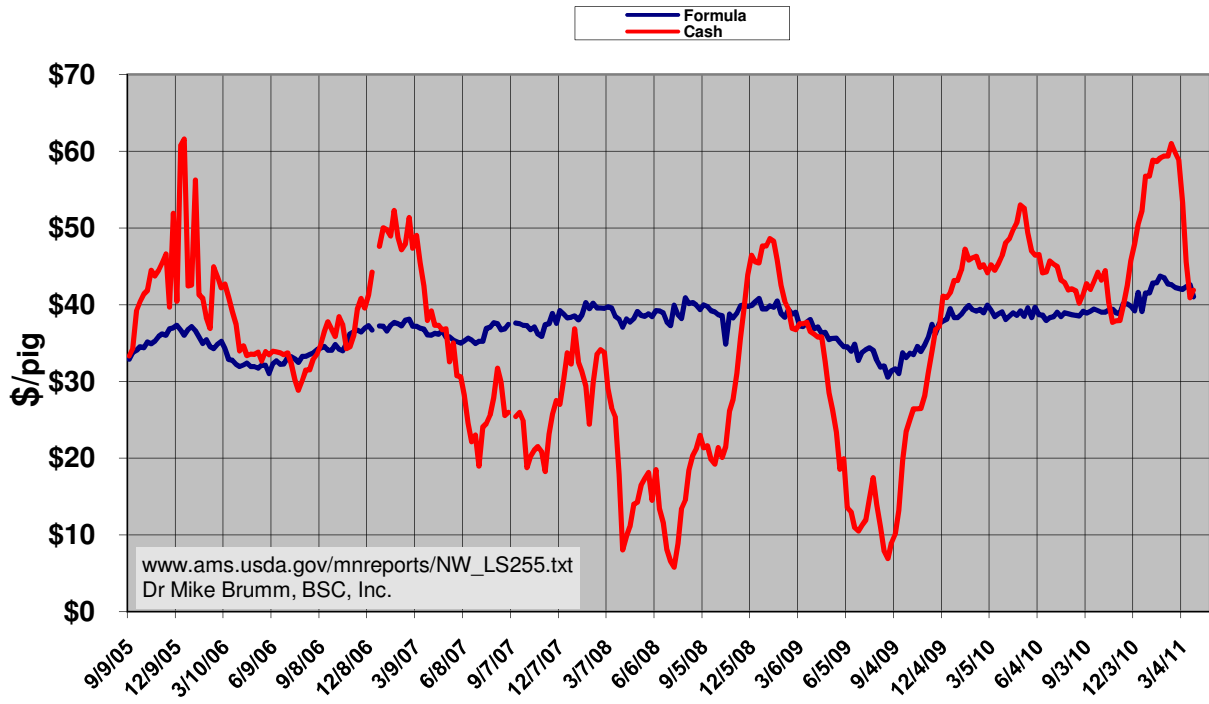
Canadian Feeder Exports to US



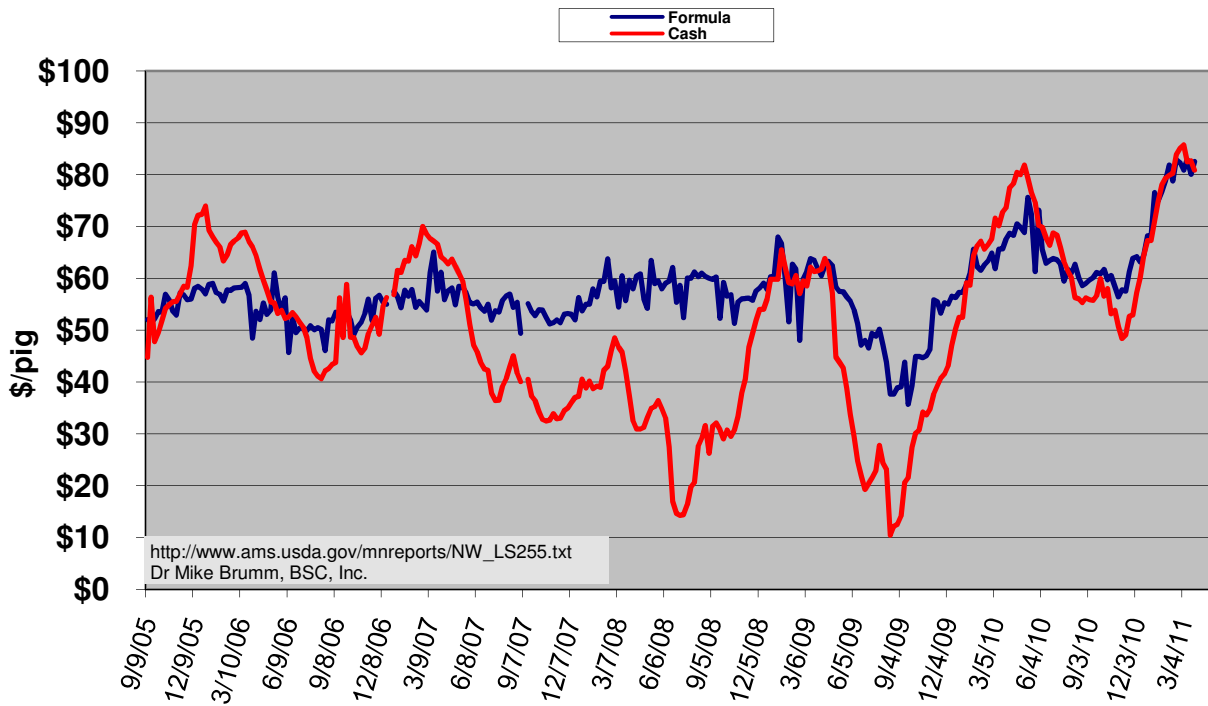
IA-SMN Liveweight at Slaughter



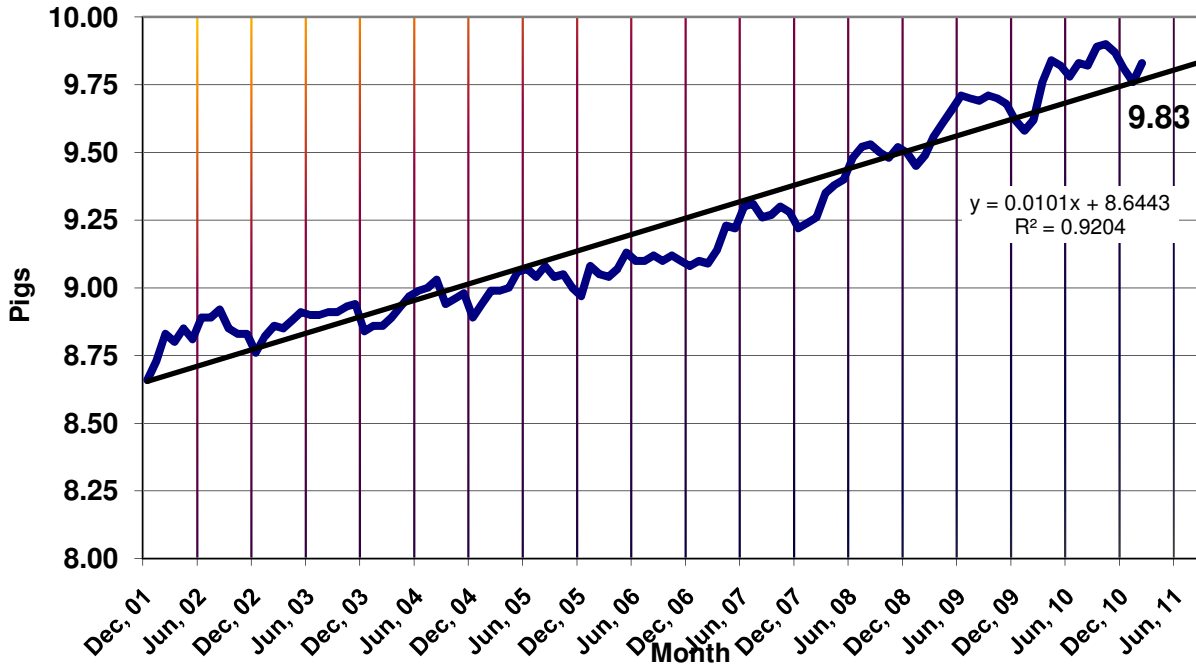
SEW Price, USDA



40 Lb Feeder Pig Price, USDA



Pig per litter USDA Hogs and Pigs Report



Combined N American Inventory - up thru Dec/Jan 2010/11

