

September 1, 2009 USDA Hogs and Pigs Report Commentary

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As always, this USDA provided several interesting data points that highlight the on-going structural changes in the US pork industry.

To begin with, the 35,000 head decline from one year ago in the breeding herd in Texas almost exactly matches the numbers announced by Smithfield for their closure of their Dalhart, Texas locations. Similarly, the reduction in the Arkansas breeding herd number aligns with the announcement by Tyson of a reduction in their breeding herd numbers.

Other than these 2 announced large declines in breeding herd inventories, the reductions in the US herd were scattered and rather minimal. The US breeding herd stood at 96.9% of the September 1, 2008 number. When combined with the continued improvements in breeding herd efficiencies, there was limited data in this report to suggest a rapid reduction in the flow of pigs to slaughter in the coming months.

Further proof of this unwillingness to aggressively slow production is the fact that farrowing intentions for the September thru November period were 97% of the 2008 period. Assuming producers maintain a 9.7 pig per litter average, versus the 9.50 average of the same period in 2008, the pig crop will be an estimated 28.47 million pigs, down only 300 thousand from the 2008 September thru November crop of 28.77 million pigs. This amounts to only 23,000 fewer pigs per week, not much of a change in total slaughter numbers.

Another sign of a unwillingness to slow production is the price of SEW and 40 pound feeder pigs as reported every Friday by USDA. The average open market delivered price for SEW pigs has risen from a low of \$6.91 per head for the week ending August 21 to \$23.49 per head for this past week, an increase of \$16.58 per pig in only 5 weeks. Likewise, the average delivered cash price of 40 pound pigs went from \$10.43 per pig for the week ending August 14 to \$27.43 this past week, an increase of \$17 per pig. Both the sharp rise in weaned and feeder pig prices and the decline in feed grain prices (new crop corn closed under \$3 per bushel local bid this afternoon) has somewhat eased the pressure for breed to wean producers to sell sows.

At the same time, Iowa producers are showing no willingness to leave finishing facilities empty. Iowa now has 18.4 pigs in the kept for market category for every animal in the breeding inventory. Minnesota has 12.0 and Indiana has 11.9, reflective of their continued growth in finishing relative to farrowing inventories. As a point of reference, the US average is 10.3 market inventory per breeding inventory, the highest ever.

These numbers highlight the on-going advances in productivity of the US breeding herd. For the period June thru August period, the US herd averaged 9.70 pigs per litter, the

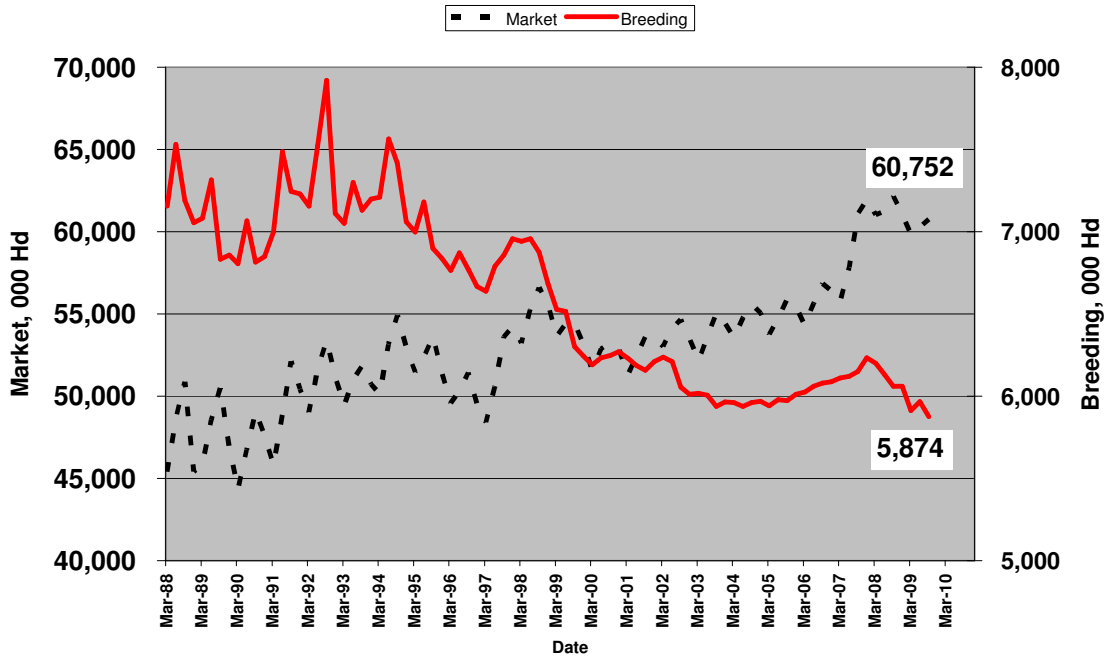
highest pig crop per litter ever, up from the 9.61 average for the March thru May period of 2009.

The Canadian sow inventory continues to slowly decline. Border crossings of sows and boars destined for slaughter has averaged just over 14,000 animals per week since June 1, up from 11,000 per week last year for the same time period. Their next inventory will be taken on October 1.

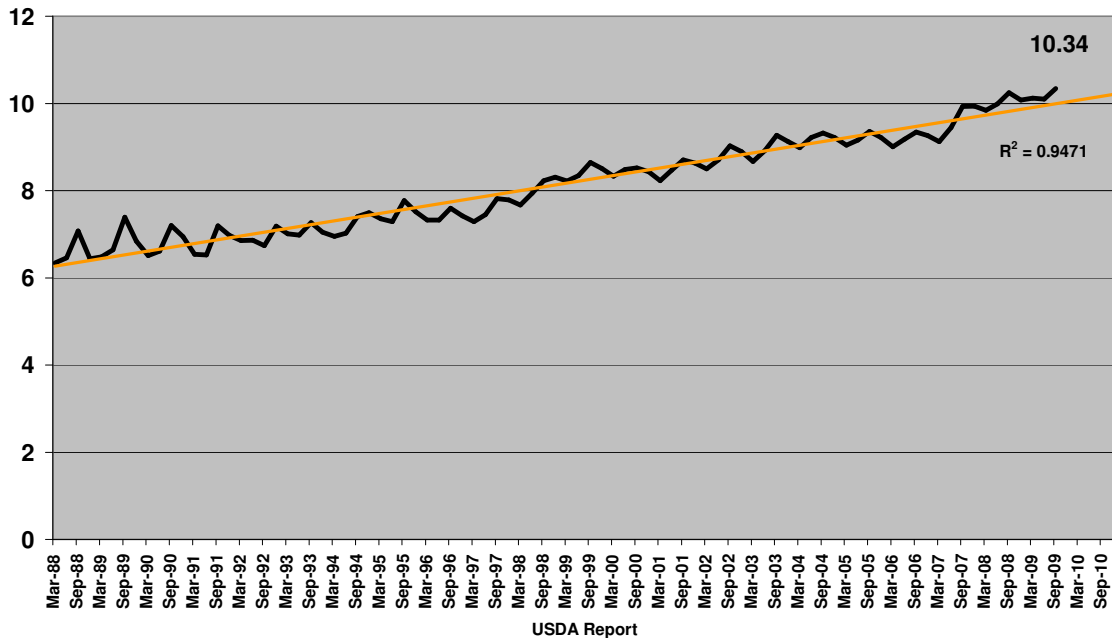
September 1, 2009 Inventory - all states with 1,000,000 or more

State	Breeding Herd	Kept for Market	Total Inventory	Market/breeding
		000 hd		
Iowa	1,010	18,590	19,600	18.4
N Carolina	980	9,020	10,000	9.2
Minnesota	560	6,740	7,300	12.0
Illinois	470	3,780	4,250	8.0
Indiana	280	3,320	3,600	11.9
Nebraska	380	2,970	3,350	7.8
Missouri	350	2,700	3,050	7.7
Oklahoma	410	1,950	2,360	4.8
Ohio	160	1,880	2,040	11.8
Kansas	160	1,600	1,760	10.0
S Dakota	150	1,130	1,280	7.5
Pennsylvania	90	1,020	1,110	11.3
Michigan	110	940	1,050	8.5
Texas	70	940	1,010	13.4
US	5,874	60,752	66,626	10.3

Quarterly USDA Hogs and Pigs

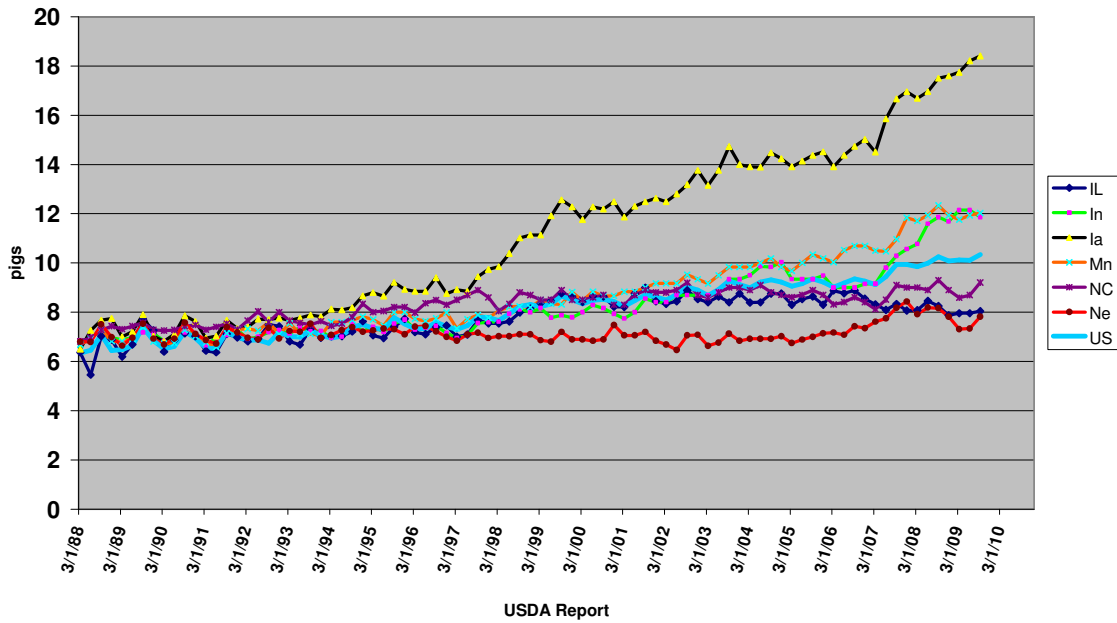


US Market inventory per Breeding inventory

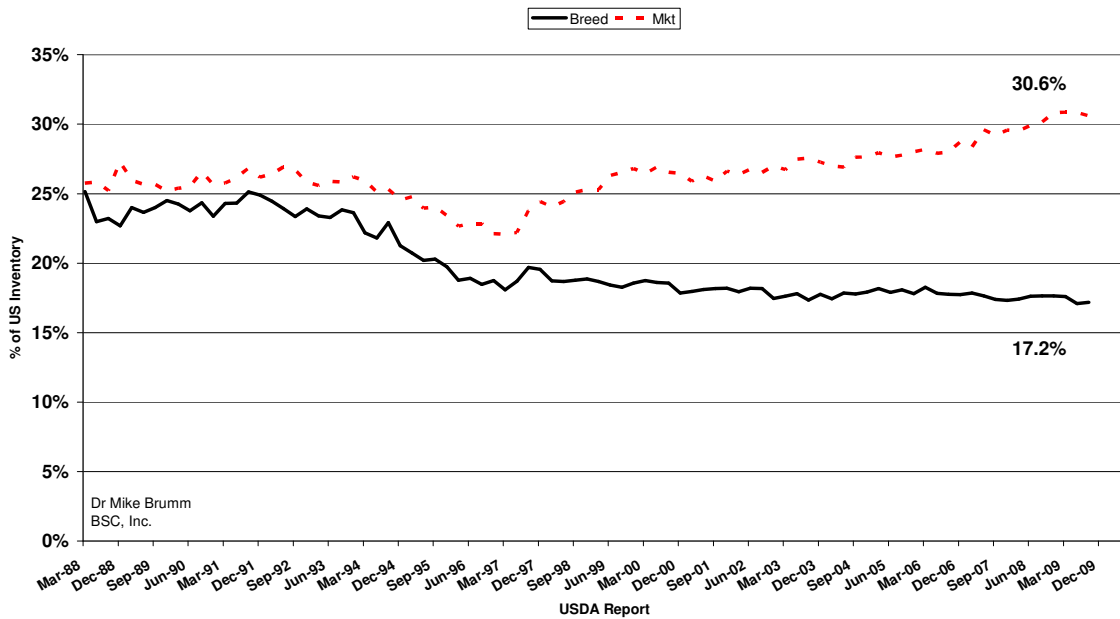


Market inventory per breeding inventory

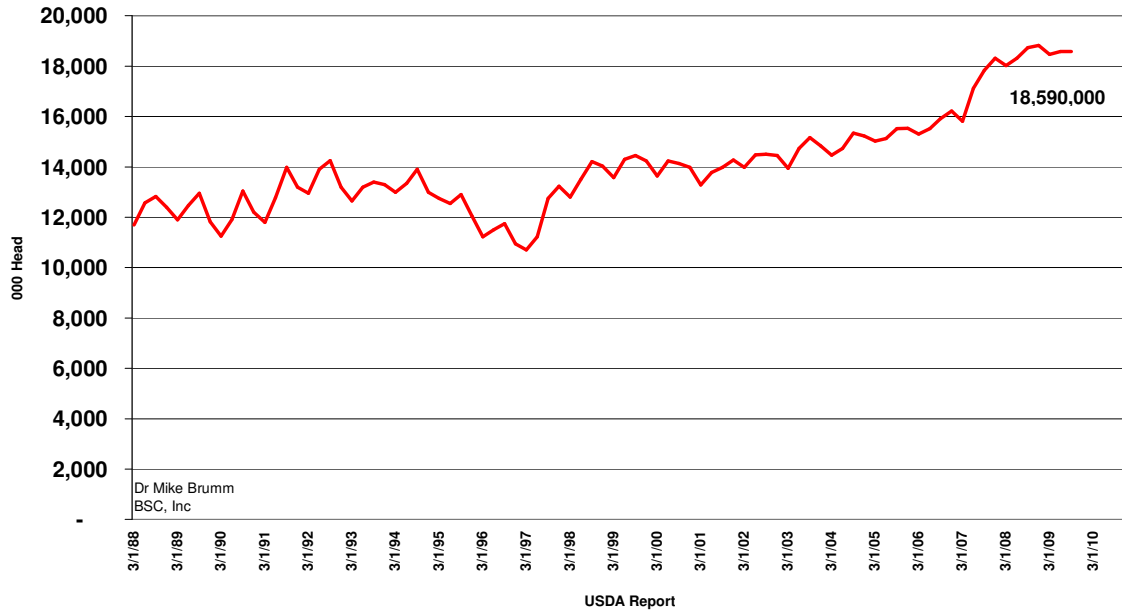
top 6 states in total inventory - 9/1/09



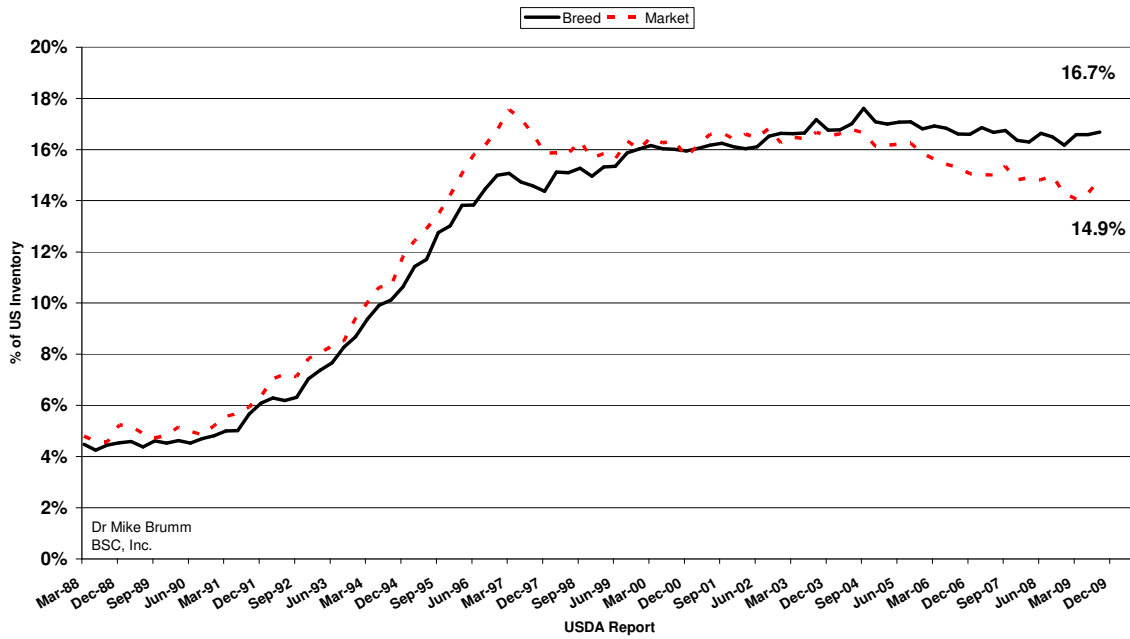
Iowa's Share



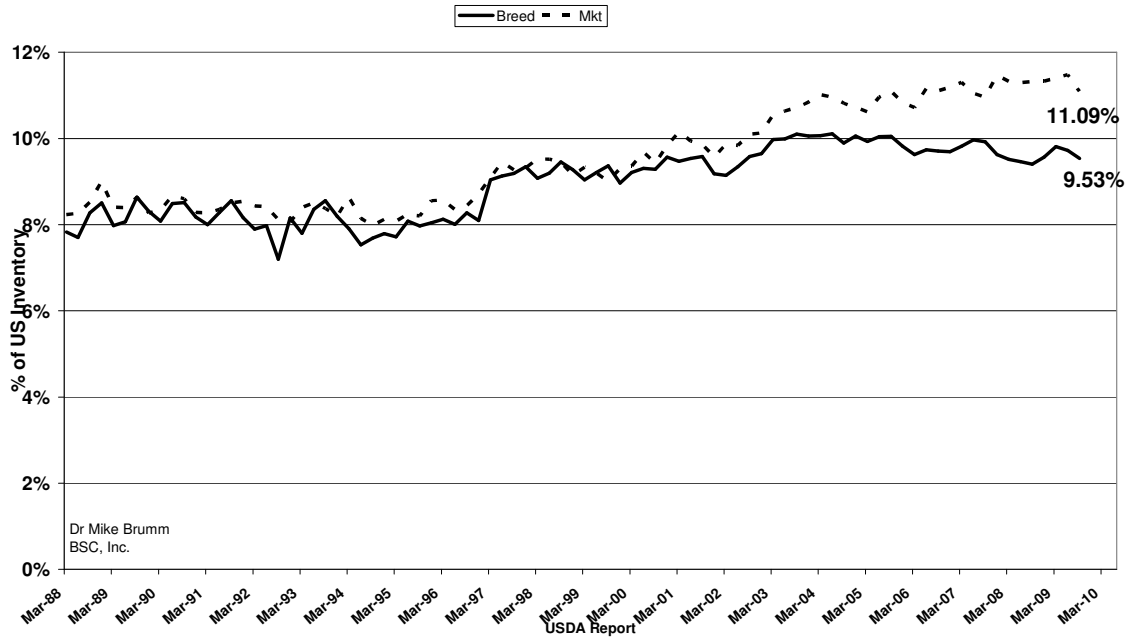
Iowa Market Inventory



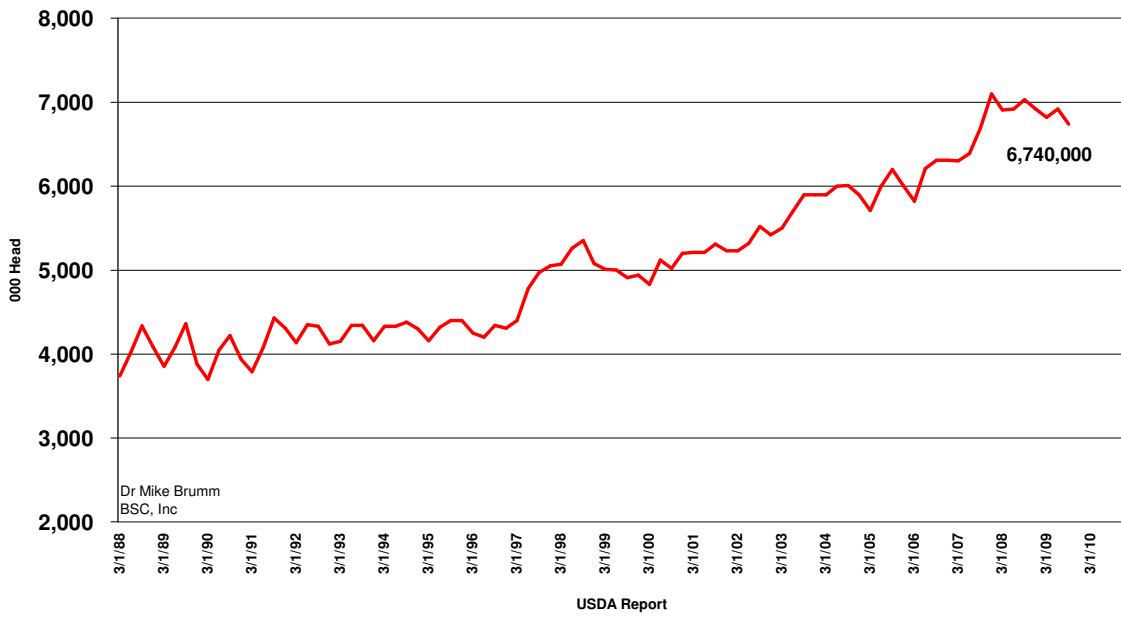
N Carolina Share



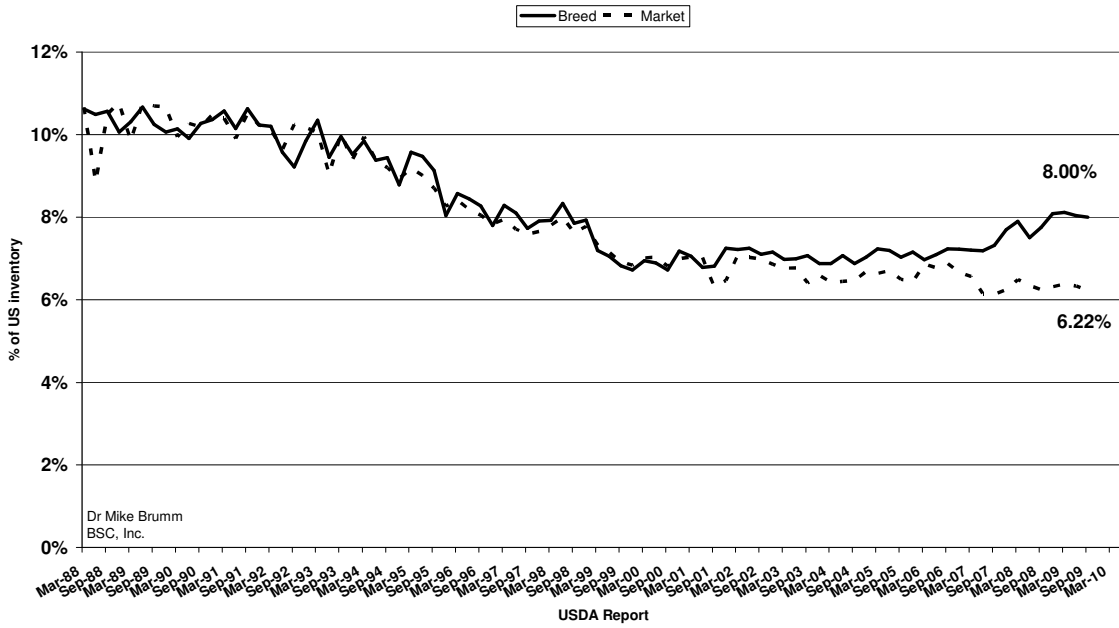
Minnesota's Share



Minnesota Market Inventory



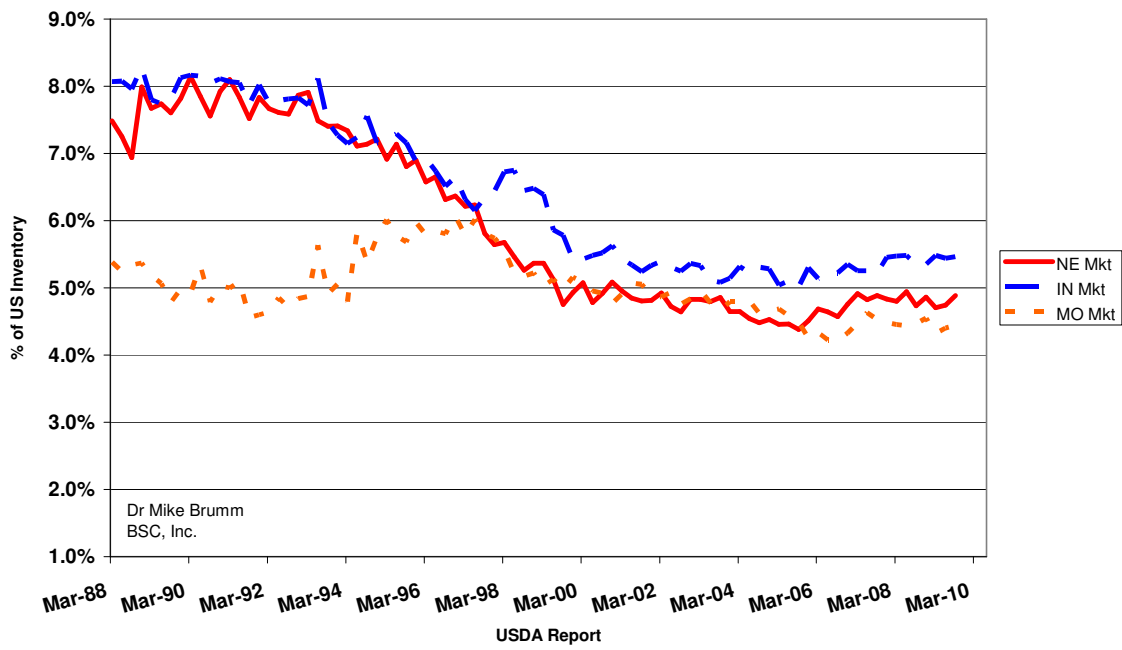
Illinois Share



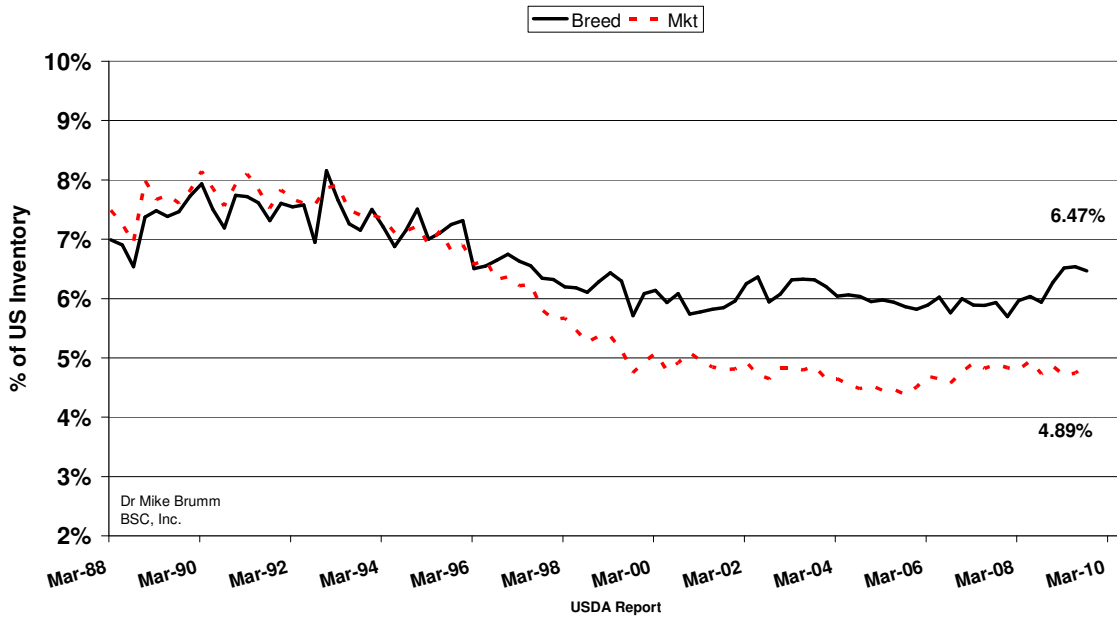
Indiana Share



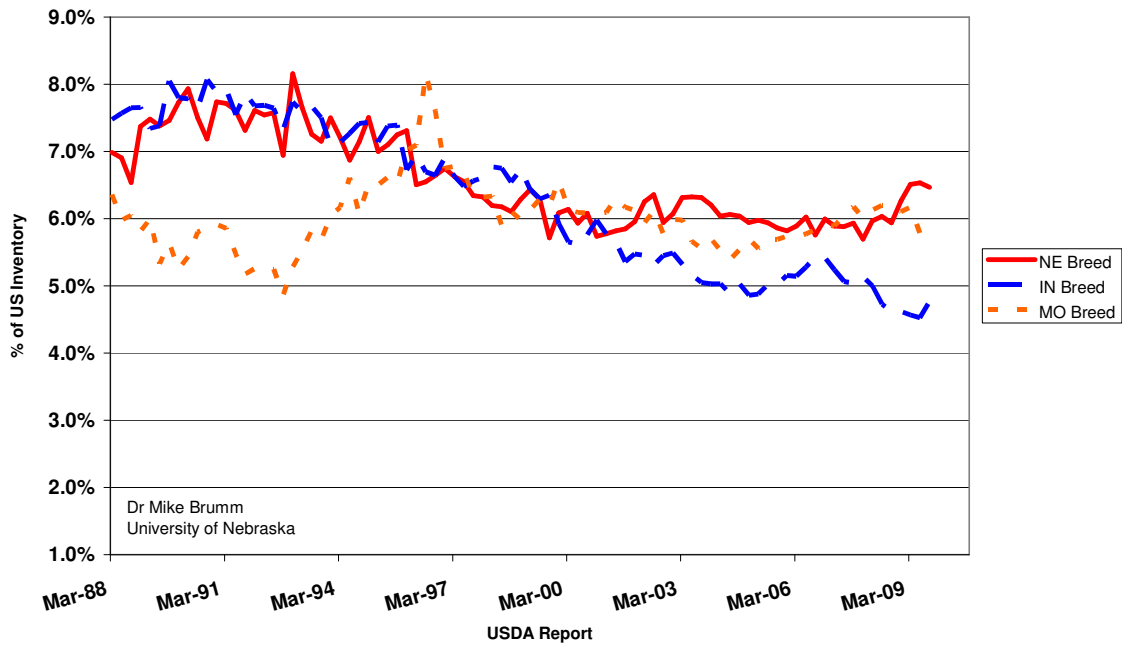
NE, IN and MO 'Kept for Market' Inventory



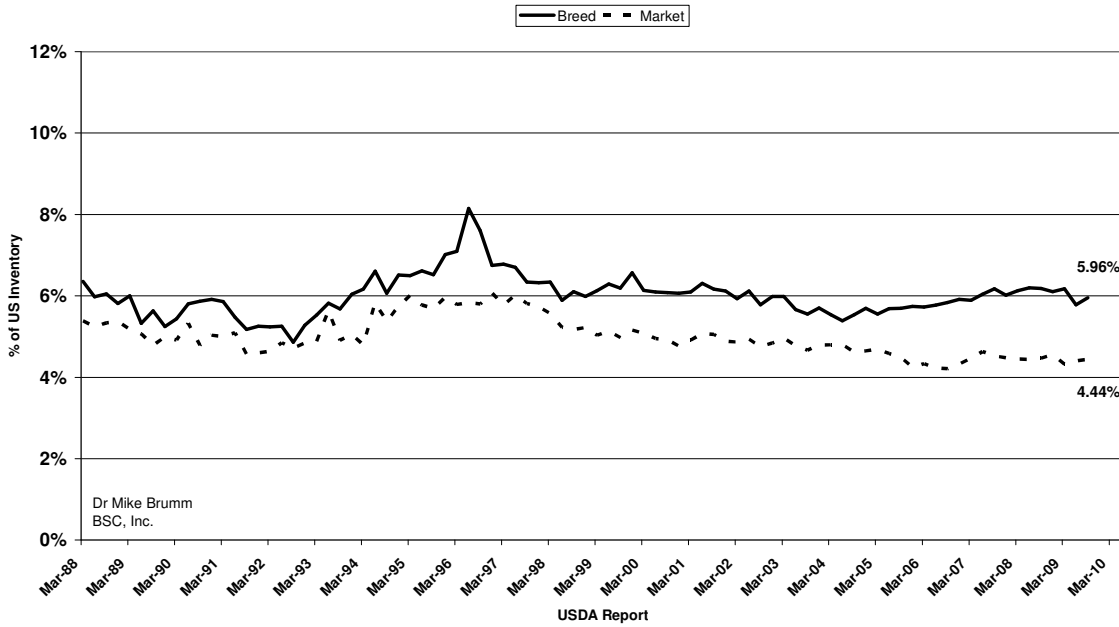
Nebraska's Share



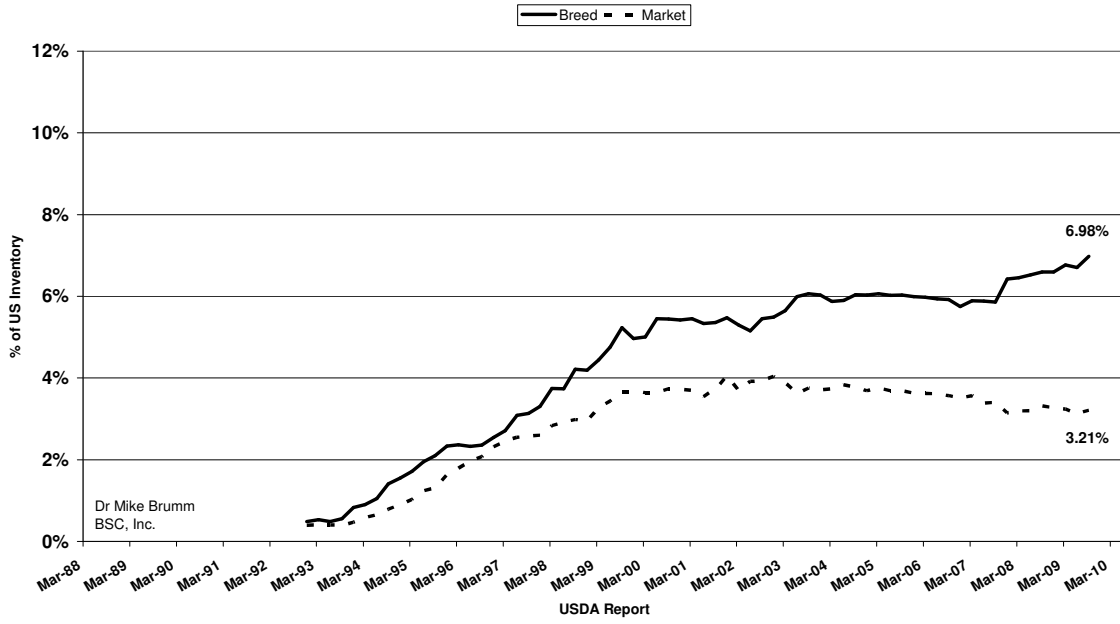
NE, IN and MO "Breeding Herd" Inventory



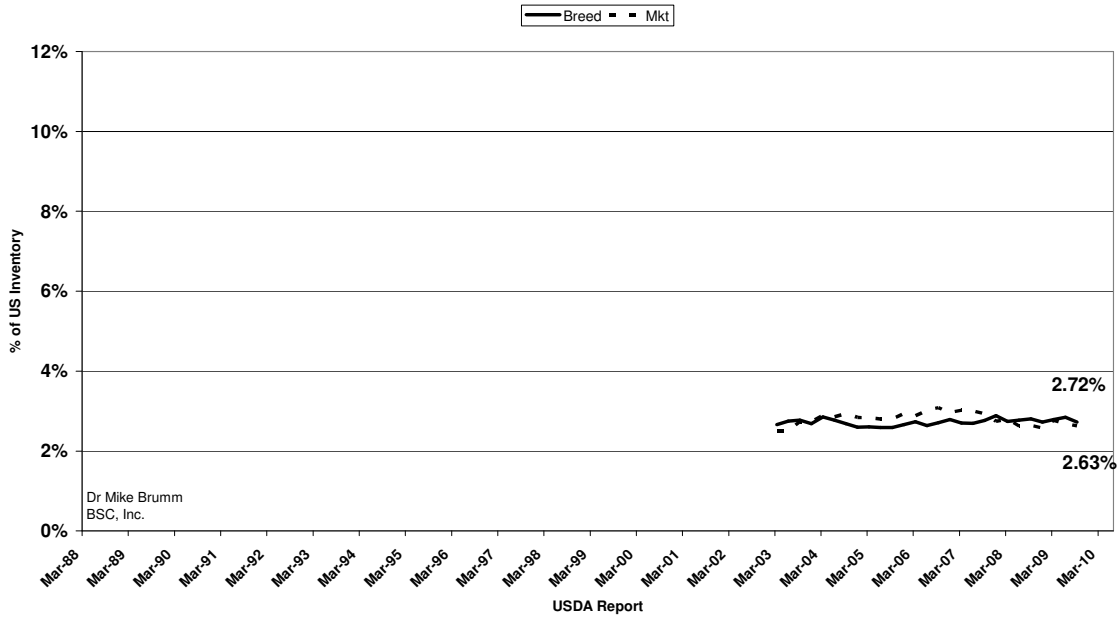
Missouri Share



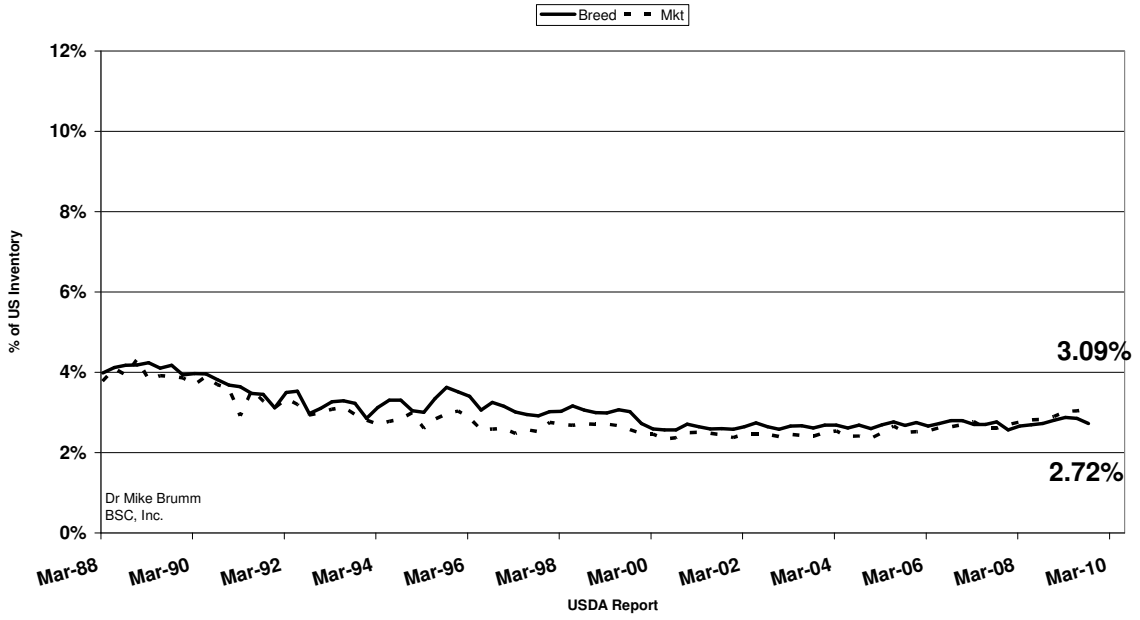
Oklahoma Share



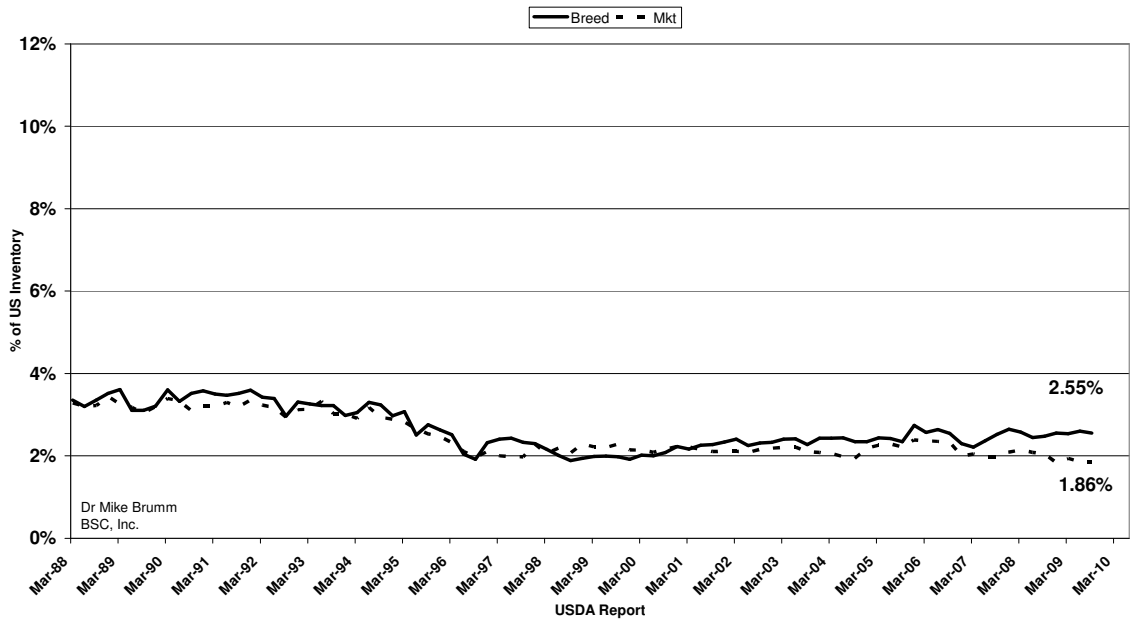
Kansas's Swine Industry



Ohio's Swine Industry

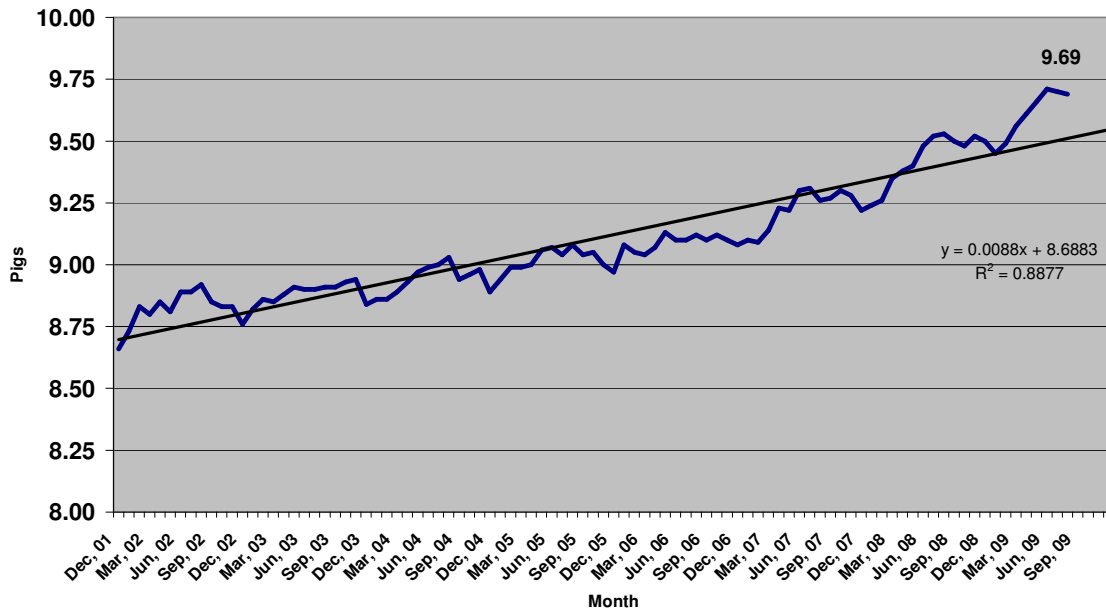


South Dakota's Swine Industry

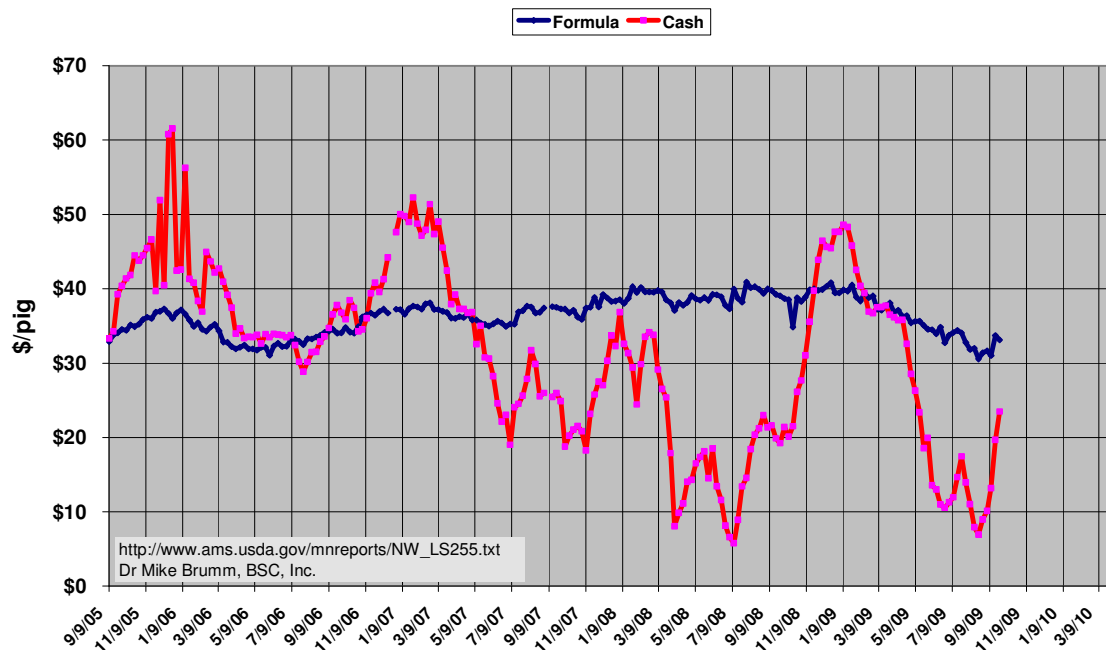


Pig per litter

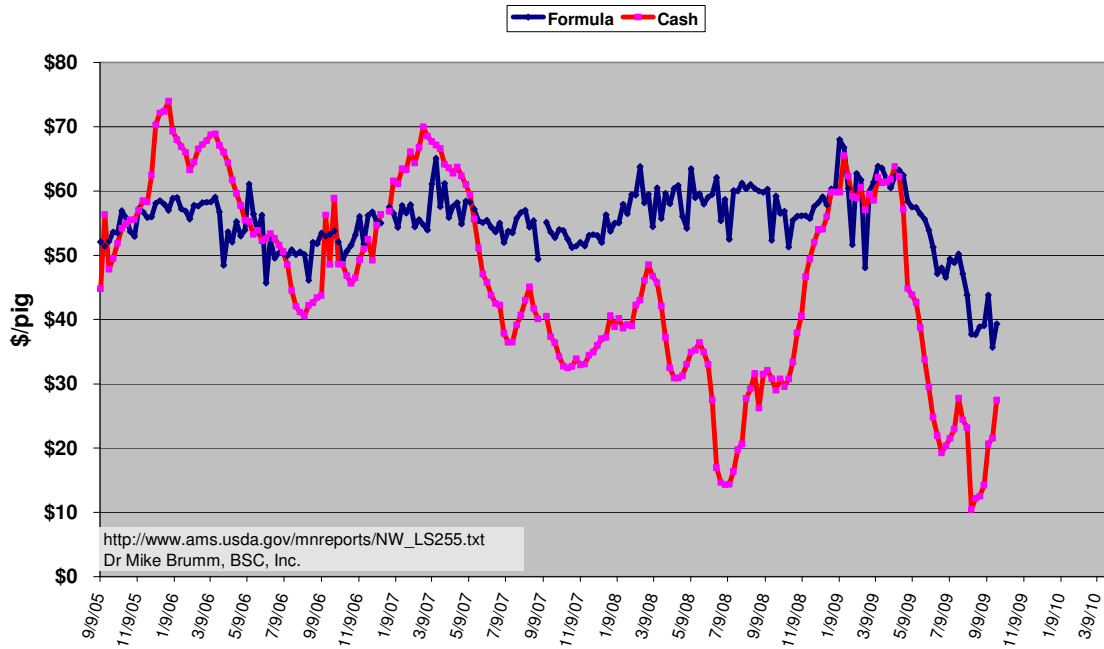
USDA Hogs and Pigs Report



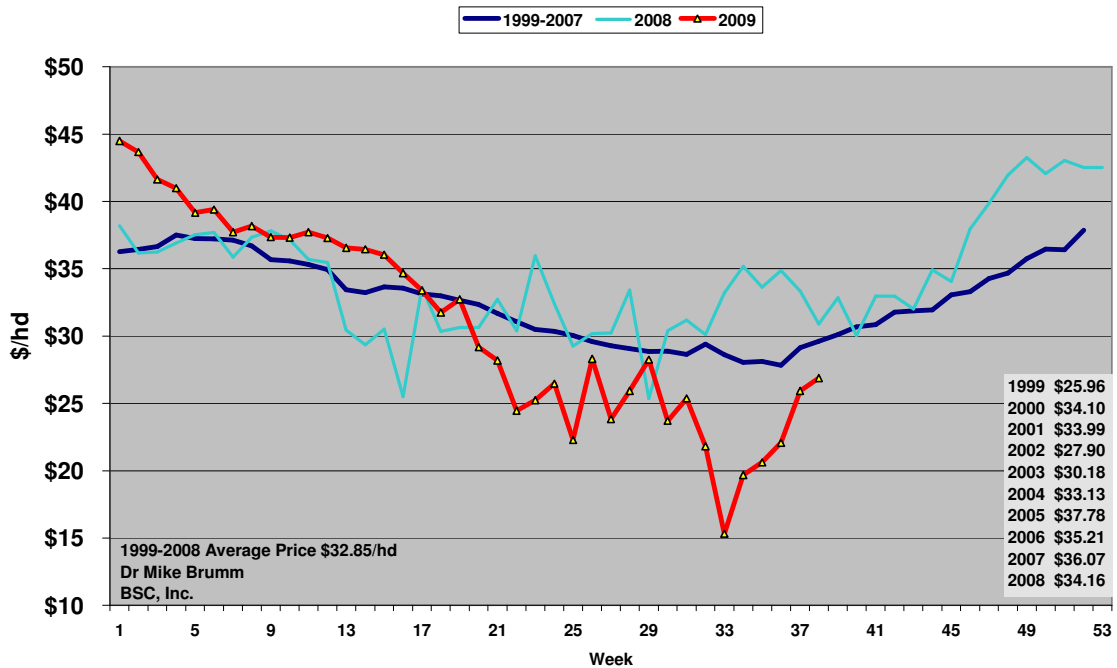
SEW Price, USDA



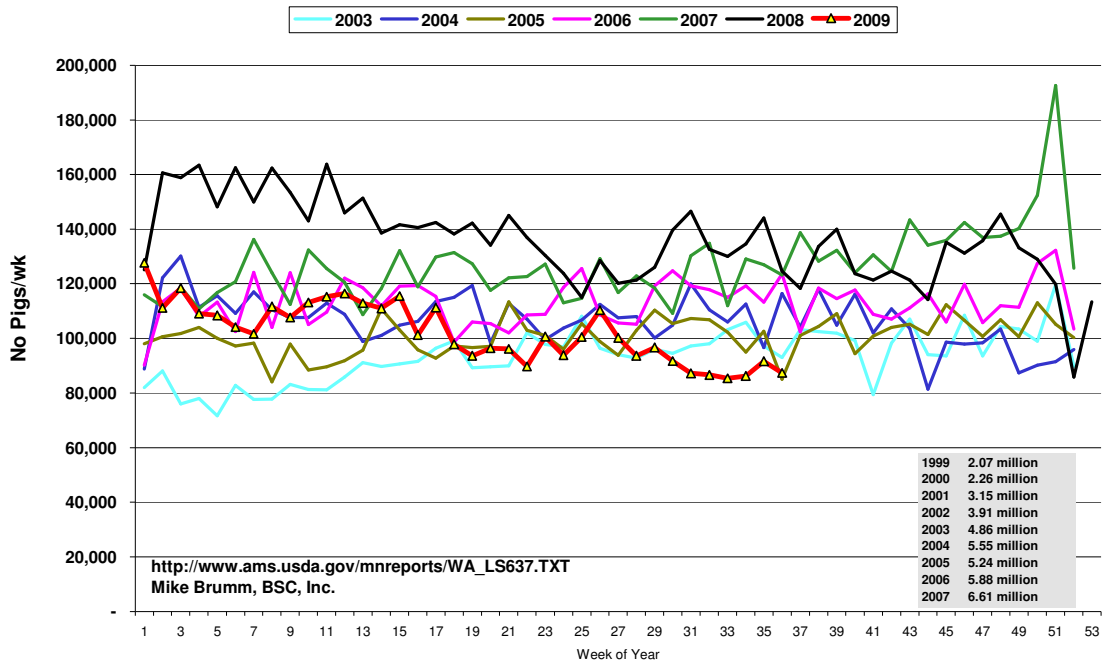
40 Lb Feeder Pig Price, USDA



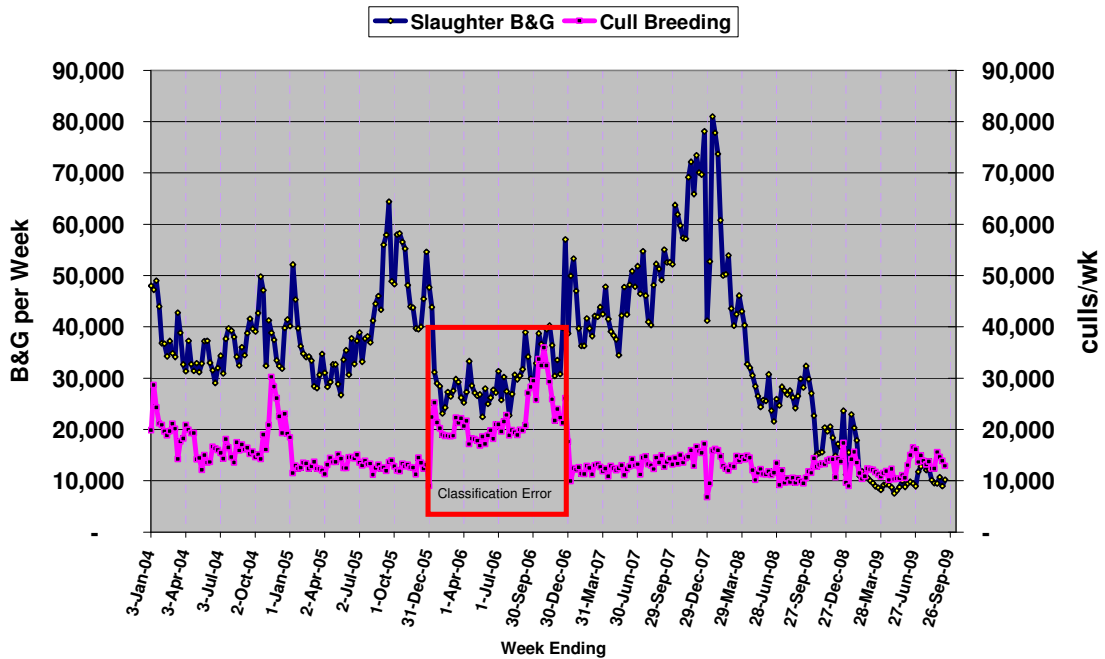
SEW vs 2008 and 9 yr Price, USDA



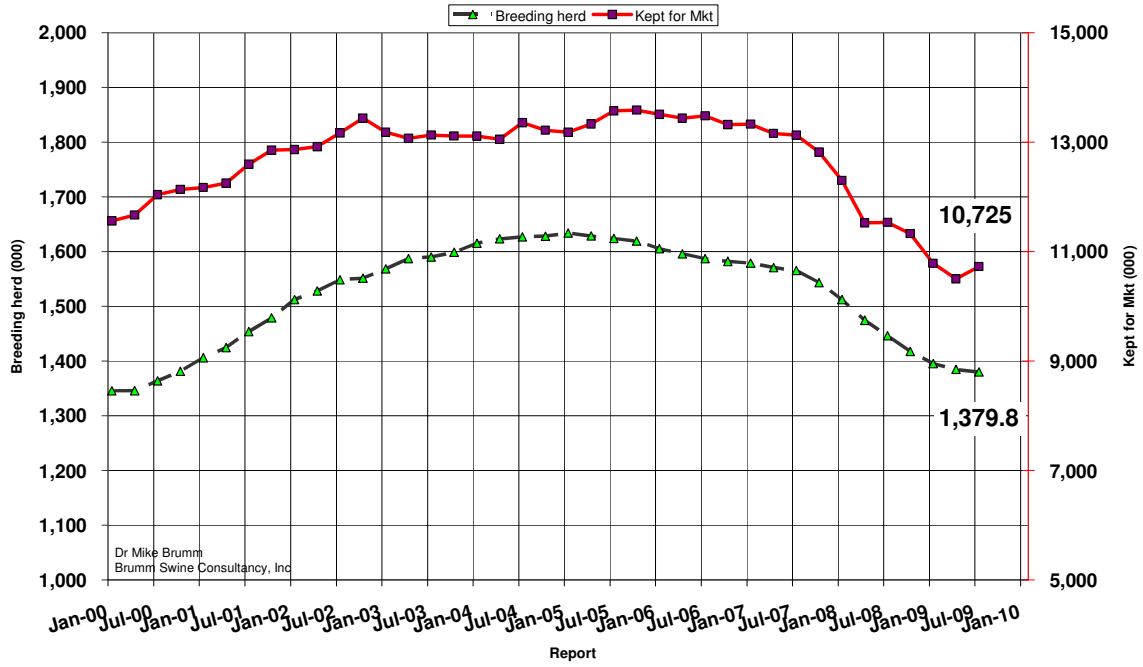
Canadian Feeder Exports to US



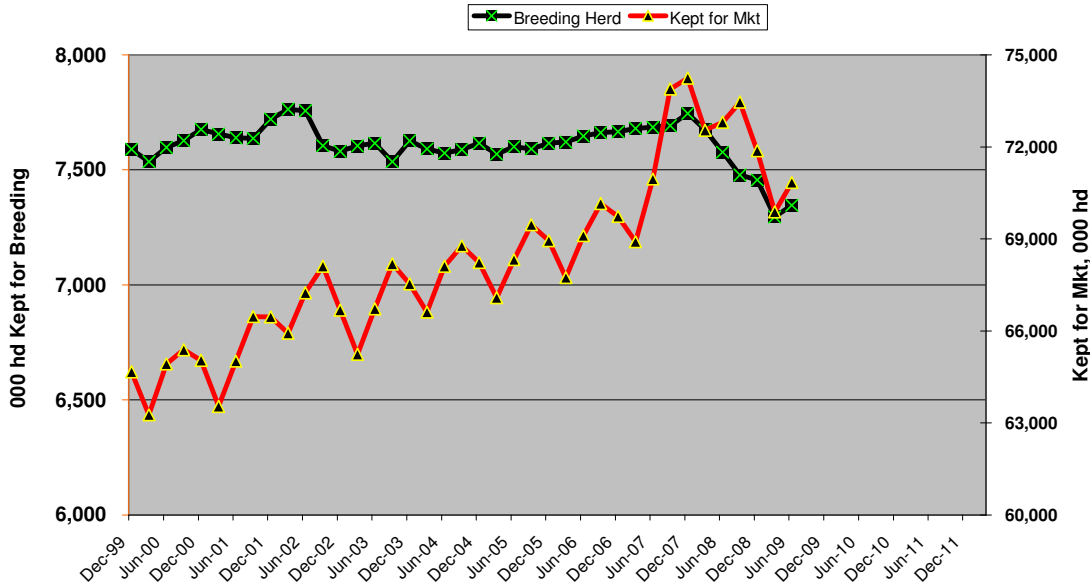
Canadian Slaughter Imports to US



Canadian Swine Inventory



Combined N American Inventory



	D-99	M-00	J-00	S-00	D-00	M-01	J-01	S-01	D-01	M-02	J-02	S-02	D-02	M-03	J-03	S-03	D-03	M-04	J-04	S-04	D-04	M-05	J-05	S-05	D-05	M-06	J-06	S-06	D-06	M-07	J-07	S-07	D-07	M-08	J-08	S-08	D-08	M-09	J-09	S-09	D-09	M-10	J-10	S-10	D-10	M-11	J-11	S-11	D-11	M-12				
Breeding Herd	75	75	75	76	76	76	76	76	76	77	77	77	76	75	76	76	75	76	75	75	75	76	75	75	76	76	76	76	76	76	76	76	76	77	76	75	74	74	72	73														
Kept for Mkt	64	63	64	65	65	63	65	66	66	65	67	68	65	66	68	67	66	68	68	68	67	68	68	69	68	67	69	70	69	68	70	73	74	72	72	73	71	69	70															

USDA Report (+1 mo for CA)