

Daily Livestock Report

<u>E-Livestock Volume</u>	<u>19-Mar</u>	<u>18-Mar</u>	<u>12-Mar</u>
LE (E-Live Cattle):	19,489	12,324	26,381**
GF (E-Feeder Cattle):	1,797	1,958	1,957
HE (E-Lean Hogs):	15,283	12,828	16,675

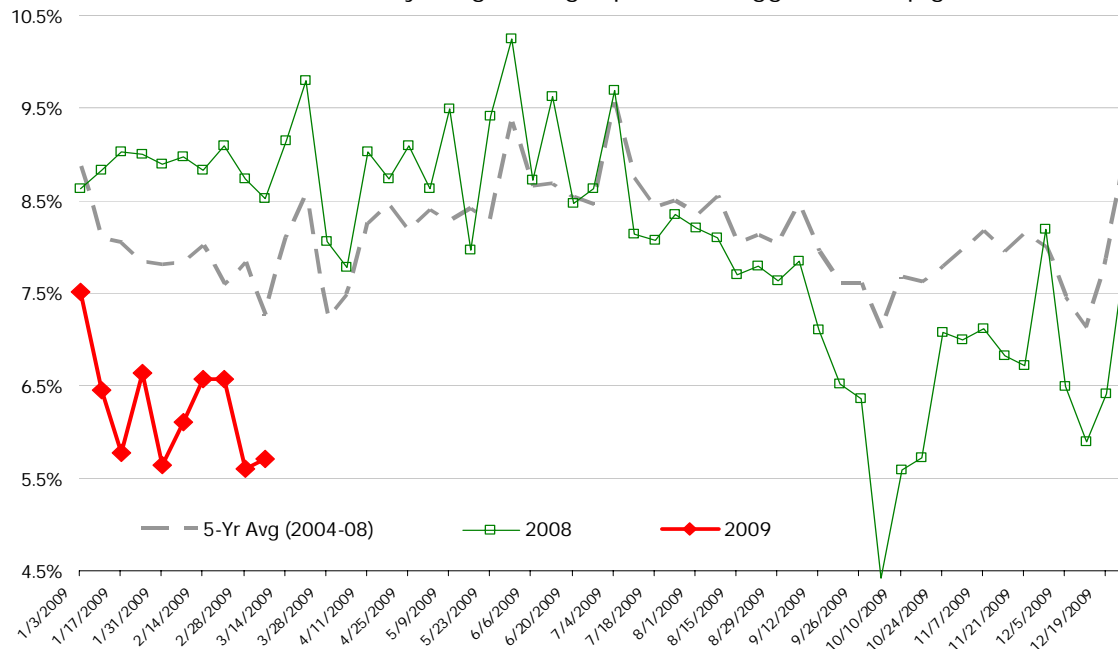
Market Comments

It is broadly expected that US pork supplies will contract significantly in the second quarter. We should get a better idea of how large the decline will be from the USDA quarterly inventory numbers, expected to be released on Friday, March 27. Based on the December inventory data, implied Q2 hog slaughter is expected to be down as much as 5%, a decline that is in part due to fewer Canadian hogs and feeder pigs entering the US market. High feed costs in the last few years, a sharp appreciation of the currency (at least until last fall) and COOL legislation, all have negatively impacted hog producers in Canada, leading to a significant net reduction in the breeding herd as well as the number of hogs and pigs entering the US market. For the period Jan 4 - Mar 7, 2009, **US hog producers imported approximately 898,000 Canadian feeder pigs, almost half a million feeders less (-35%) than the same period a year ago.** Imports of slaughter hogs are down even more as US packers have imported around 112,000 head so far this year, down some 460,000 head or 80% compared to year ago levels. In total, imports of Canadian slaughter hogs and feeder pigs during the first nine weeks of the year is down by almost 1 million head, or 48% lower than the same period a year ago. Due to the decline in such imports, we calculate that for the week ending March 7, Canadian born hogs made up just 5.7% of US total hog slaughter, compared to 8.5% a year ago and 7.3% average of the past five years. We calculated this number based on entries of slaughter hogs from the previous week as well as a lagged imports of feeder pigs (allowing for the time they spend on feed before coming to market). While the reduction in feeder pigs numbers will likely be captured in the USDA inventory survey, the decline in slaughter hog imports will not. It is a factor that needs to be accounted for when looking at out front projections of hog slaughter based on the USDA survey data.

A much smaller breeding herd in Canada will limit the overall supply of feeder pigs coming into the US during much of 2009. Given the changes made to the COOL final rule, which just came into effect this week, the burden on US packers and producers is less significant than when it was initially put in place and should ease some the pressure on Canadian imports. However, there is lingering uncertainty as to what USDA may do next in terms of further revising COOL rules, especially if packers do not abide by the request from the USDA Secretary to "voluntarily" impose more explicit labels for meat products.

SHARE OF CANADIAN BORN HOGS IN US WEEKLY HOG SLAUGHTER

Based on weekly slaughter hog imports and lagged feeder pig entries



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