

# Daily Livestock Report

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## Market Comments

**USDA will release on Friday, March 26 the results of its quarterly survey of US hog producers.** Some (including us) like to quibble now and then with the USDA survey and how well it represents hog supplies on the ground. The reality is, however, that this report is one of the best tools the industry has to gauge future supply trends and it is well followed by many market participants. The table to the right provides a summary of the USDA pre-report estimates based on a poll of 8 analysts conducted by Thomson Reuters.

The US breeding herd is currently expected to be down 2.6% compared to the previous year. If that decline materializes (and if the data for the previous year remains unchanged), it would represent a sow inventory of about 5.836 million head, the smallest sow inventory since the survey began back in the early 1970s. The reduction in the breeding herd that we saw in the past 12 months clearly has had an impact on reducing overall output. However, it is important to keep in mind that the productivity gains remain strong and they will blunt some of the impact from lower sow numbers. The total hog inventory is currently expected to be around 65.160 million head, 1% lower than the previous year but still the third largest inventory on record. The inventory of market hogs is expected to be down 0.9%, with much of the reduction taking place in the front end. The supply of hogs under 50 pounds is currently expected to be down just 0.4%, with some analysts actually expecting a modest increase in this category.

As mentioned earlier, productivity gains have limited the reduction in supply that a record low sow inventory would imply. Farrowings (births to a litter of pigs) during the Dec - Feb quarter are expected to be down 2.3% but the industry continues to make steady gains in the number of pigs per litter. As a result, the pig crop during the Oct - Feb quarter is expected to be down just 0.9% compared to the previous year, with some analysts actually expecting about the same pig crop as the year before. The analysts surveyed indicate that the USDA report will point to modest reductions in US hog slaughter during the second half of 2010. There is a wide range of estimates as to how producers will respond to the recent run-up in hog prices. With summer hog futures hovering above \$80, producers clearly have an incentive to save every piglet they can and try to maximize the number of farrowings. However, it will take time to replace the sows liquidated in late 2008 and 2009 and there is plenty of uncertainty about hog profitability long term. At the moment, there is also some disagreement among analysts about the farrowing rate in March - May and June - August quarter. Overall the expectation is for lower pork supplies to extend at least into early 2011.

## Pre-Report Estimates of USDA Hogs & Pigs Report

Based on an analyst survey conducted by Reuters

	Average	Ranges
All hogs March 1	99.0	98.1 - 99.9
Kept for breeding	97.4	97.0 - 97.8
Kept for market	99.1	98.2 - 99.8
Under 50 lbs	99.6	98.4 - 101.1
50 - 119 lbs	99	98.4 - 100.0
120 -179 lbs	98.5	97.6 - 99.7
over 180 lbs	98.2	97.5 - 98.8
<u>Farrowings</u>		
December-February	97.7	97.1 - 98.8
<u>Pig crop</u>		
December-February	99.1	98.5 - 99.9
<u>Farrowing intentions</u>		
March - May	97.8	97.0 - 99.0
June - August	98.5	97.5 - 100.0
<u>Pigs per litter</u>		
December - February	101.5	100.4-102.1

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