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Daily Livestock Report

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Best Wishes for A Happy and Prosperous New Year

Market Comments

USDA issued on Wednesday afternoon the results of its quarterly survey of hog operations and a summary of the results as well as pre-report analyst estimates is presented in the attached table. On page 2 we have included a more complete summary of the latest report. As was noted in the Monday edition of the report, the weight categories for market hogs are now slightly different with 50 pounds instead of 60 pounds being the dividing line between the two lightest categories. This should help bring the USDA report more in line with the way Statistics Canada accounts for its hog inventories and allow for a better accounting of the North American numbers.

Comparison of USDA Report to Pre-report Estimates
Source: Dow Jones and USDA

	USDA's Dec Estimates	Average of Estimates	Range of Estimates
All hogs and pigs on Dec 1	98.0	97.6	96.8 - 99.2
Kept for breeding	96.5	96.6	95.3 - 98.0
Kept for marketing	98.2	97.7	97.0 - 99.4
Sep-Nov pig crop	100.2	98.8	98.3 - 99.0
Sep-Nov pigs per litter	102.1	101.9	101.6 -102.1
Sep-Nov farrowings	98.2	96.9	96.7 - 97.0
Dec-Feb farrowing intentions	98.1	96.8	95.9 - 98.0
Mar-May farrowing intentions	97.2	97.0	95.9 - 98.0
Hogs weighing under 50 lbs	98.2	98.1	96.5 - 99.2
Hogs weighing 50 to 119 lbs	98.1	97.9	96.4 - 99.5
Hogs weighing 120-179 lbs	98.4	97.7	96.2 - 99.4
Hogs weighing 180 and over	97.8	97.7	96.9 - 98.8

As the table to the right shows, the headline numbers were generally close to pre-report estimates, indicating a generally neutral report. But, markets may construe the report as somewhat bearish for next summer and fall. Summer and fall hogs have been trading at a notable premium to the current market partly as a result of expectations for a continued reduction in supplies as well as improved seasonal demand. That reduction in supplies may not materialize, at least to the degree expected. The USDA report noted that the Sep – Nov pig crop did not decline by 1.2% as expected but was actually slightly higher than a year ago. This was due to higher than expected farrowings as well as continued strong growth in the number of pigs per litter. So while the overall breeding herd is actually down 3.5%, as expected, strong gains in productivity have more than erased the reduction in sow numbers. Farrowing intentions for Dec – Feb also were much higher than expected and with 2% increases in pigs per litter, we could see hog numbers at or slightly above year ago levels through much of 2010, no 2-3% slaughter declines as previously estimated.

How much should we make of this? If the report was released in September, we think it would have been construed as much more bearish than today. The fact of the matter is that demand remains a key driver in the current environment, especially export demand. As long as the demand picture remains good, which it currently is, then the extra pigs for next summer and fall should not have much of an impact. To this point, a number of economic indicators continue to point to better growth in 2010, which should also be supportive of domestic demand for pork.

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USDA HOGS AND PIGS REPORT - DECEMBER 1, 2009

CATEGORY	2008	2009	2010	2009 AS % OF 2008	2010 AS % OF 2009
ALL HOGS AND PIGS	67,148	65,807		98.0%	
KEPT FOR BREEDING	6,062	5,850		96.5%	
KEPT FOR MARKET	61,087	59,957		98.2%	
UNDER 50 POUNDS	19,428	19,085		98.2%	
50-119 POUNDS	17,396	17,062		98.1%	
120-179 POUNDS	12,731	12,529		98.4%	
180 POUNDS AND OVER	11,533	11,282		97.8%	
SOW FARROWINGS					
DEC - FEB [1,2]	3,071	3,011	2,954	98.0%	98.1%
MAR - MAY [2]	3,052	3,018	2,935	98.9%	97.2%
DEC - MAY [1]	6,123	6,029	5,890	98.5%	97.7%
JUN - AUG	3,075	2,965		96.4%	
SEP - NOV	3,028	2,974		98.2%	
JUN - NOV [3]	6,103	5,939		97.3%	
PIG CROP					
DEC - FEB [1]	28,388	28,552		100.6%	
MAR - MAY [2]	28,631	29,012		101.3%	
DEC - MAY [1]	57,019	57,564		101.0%	
JUN - AUG	29,240	28,777		98.4%	
SEP - NOV	28,771	28,833		100.2%	
JUN - NOV	58,011	57,610		99.3%	
PIGS PER LITTER					
DEC - FEB [1]	9.24	9.48		102.6%	
MAR - MAY [2]	9.38	9.61		102.5%	
DEC - MAY [1]	9.31	9.55		102.6%	
JUN - AUG	9.51	9.70		102.0%	
SEP - NOV	9.50	9.70		102.1%	
JUN - NOV	9.51	9.70		102.0%	

(1) - Dec. preceding year
(2) - Intentions for 2010
(3) - Actual farrowings for June - August plus intentions for September - November