CME Group
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Daily Livestock Report

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A much-needed year of profits may have just become even better for U.S. pork producers according to Friday's quarterly Hogs and Pigs Report. Key data from the report appear at right and it was full of what the trade is viewing as bullish surprises. In fact, based on the differences between report numbers and the averages of analysts' pre-report estimates, this is one of the most bullish reports in several years.

Some highlights are:

USDA Quarterly Hogs and Pigs Report

March 26, 2010

Category	2009	2010	2010 as Pct of 2009	Pre-Report Estimates	Actual - Estimate
Inventories on March 1[1]					
All hogs and pigs	65,819	63,988	97.2	99.0	-1.8
Kept for breeding	5,992	5,760	**96.1**	97.4	**-1.3**
Kept for market	59,828	58,228	97.3	99.1	**-1.8**
Under 50 lbs.	19,809	19,017	**96.0**	99.6	**-3.6**
50-119 lbs.	16,426	15,993	97.4	99.0	-1.6
120-179 lbs.	12,732	12,477	98.0	98.5	-0.5
180 lbs. and over	10,862	10,742	98.9	98.2	0.7
Farrowings[2]					
Dec-Feb sows farrowed	3,011	2,901	96.3	97.7	**-1.4**
Mar-May Intentions	3,018	2,898	96.0	97.8	**-1.8**
Jun-Aug Intentions	2,959	2,887	97.6	98.5	-0.9
Dec-Feb Pig Crop1	28,552	27,873	**97.6**	99.1	**-1.5**
Dec-Feb pigs saved per litter	9.48	9.61	**101.4**	101.5	-0.1

[1]Thousand head [2]Thousand litters

- The smallest breeding herd since the quarterly report was started in the early 1970s and very likely the smallest breeding herd since before 1900. 5.76 million head of breeding hogs were on hand on March 1, 3.9% fewer than last year. Analysts expected the herd to be only 2.6% lower, so this would be supportive of deferred futures.
- A market herd of 58.228 million head, 2.7% fewer than last year and 1.8% fewer than were expected by analysts. The March 1 inventory, though, was the third largest March 1 inventory on record, trailing only those of 2008 and 2009 — a clear indicator of the productivity gains made by U.S. producers over the past few years.
- 180-lbs and over inventory of 10.742 million head, 1.1% fewer than last year. This group should have largely been harvested by the end of March and March FI slaughter (covering 20 weekdays and four Saturdays in both years) was 1% smaller than last year. The number of Canadian market hogs imported was almost exactly the same so these numbers agree well, adding credibility to the report.
- Weight categories that suggest a very different year-on-year pattern for slaughter through November than were suggested by the December report. That report, which was revised in a few areas, suggested that the largest year-on-year reductions from 2009 to 2010 would be in the first and second quarters and that those reductions would be only 1.8% and 1.5%, respectively. Q1 slaughter totals, of course have been even lower (down 3.4% from '09) but this report suggests that Q2 slaughter wil lbe 2.6% lower than last year and Q3 slaughter will be 4.4% lower. The gap remains large through November before December numbers close to those of 2009 bring Q4 slaughter back to "only" 2.3% below 2009 levels. This report suggests that annual slaughter this year will be 3.1% lower than last — a substantially larger decline than the 1.4% suggested by the December report.
- USDA made some downward revisions in past estimates but those were probably not large enough to satisfy some. The Feds lowered the December market hog estimate by 0.8% with virtually all of the reduction coming in the 120-179 pound inventory which was reduced 3.6% or 450,000 head. The only other revision was to the 180 and over group, which was reduced by 30,000 head, only 0.3%. Those reductions put the December inventory numbers in very close agreement with Dec-Feb farrowings AND raised projected March farrowings by 92,800 head from the levels forecast back in December. We are not sure that adequately accounts for the hogs that have had their marketing dates delayed this winter by poor growth rates as a result of corn quality and, to a lesser degree, harsh weather.
- USDA indicates that the robust productivity growth of the past 2 years may be waning. Dec-Feb farrowings (ie. sows giving birth) were 3.7% lower than last year, a figure in very close agreement with the 3.9% smaller sow herd. Farrowing intentions for the next two quarters were also in reasonable agreement with this sow herd. All three farrowing numbers (actual and intentions) were lower than analysts' expected and the March-May number was down almost 2%. The growth rate of pigs per litter (1.5%) dropped below 2% for the first time in over 2 years in Dec-Feb. Weather may have had some impact on that number but it should have been minimal in today's industry which is dominated by climate-controlled farrowing houses. We doubt that the litter rate was impacted any by corn quality even though this could be a factor on future farrowings. Molds and toxins in feed have their greatest impacts on sows' breeding and reproductive performance. Though producers are being very careful about the corn they use in sow diets, some negative impacts will likely be seen this spring and summer.

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PRODUCTION AND PRICE SUMMARY

Week Ending 3/27/2010

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
C	FI Slaughter	Thou. Head	615	616	-0.16%	625	-1.56%	6,397	0.4%
A	FI Beef Cow Slaughter	Thou. Head	65.6	65.7	-0.03%	58.2	12.73%	739	8.8%
T	Avg. Live Weight	Lbs.	12817	1274	906.04%	1304	882.90%	3,209	144.8%
T	Avg. Dressed Weight	Lbs.	768	768	0.00%	789	-2.66%	772	-2.2%
L	Beef Production	Million Lbs.	470.7	471.5	-0.17%	459.4	2.46%	4,931	-1.6%
E	Live Fed Steer	$/cwt live wt.	96.02	96.33	-0.30%	83.23	15.40%		
	Dressed Steer	$/cwt carcass	152.13	153.01	-0.60%	132.67	14.70%		
	OKC Feeder Steer	600-700 Lbs.	115.07	113.07	1.77%	103.01	11.71%		
	Beef Cutout	600-750 Choice	161.73	153.69	5.20%	134.73	20.00%		
	Hide/Offal	$/cwt live wt.	10.20	10.18	3.30%	5.75	77.40%		
H	FI Slaughter	Thou. Head	2188	2166	1.02%	2197	-0.42%	21,736	-5.7%
O	FI Sow Slaughter	Thou. Head	61.6	61.0	0.98%	60.4	2.10%	637	-3.4%
G	Avg. Dressed Weight	Lbs.	203	203	0.00%	204	-0.49%	203	-0.5%
S	Pork Production	Million Lbs.	444.3	439.8	1.02%	448.6	-0.96%	4,409	-6.4%
	Iowa-S. Minn. Direct	Avg.	67.12	68.76	-2.40%	56.09	19.70%		
	Natl. Base Carcass Price	Weighted Avg.	67.45	68.90	-2.10%	57.28	17.80%		
	Natl. Net Carcass Price	Weighted Avg.	69.83	71.24	-2.00%	59.39	17.60%		
	Pork Cutout	185 Lbs.	72.39	73.66	-1.70%	58.63	23.50%		
C	Young Chicken Slaughter*	Million Head	159.74	159.07	0.42%	154.15	3.62%	1,427	2.2%
H	Avg. Weight	Lbs.	5.58	5.57	0.18%	5.37	3.91%	5.6	1.3%
I	Chicken Production	Million Lbs.	891.35	886.01	0.60%	827.80	7.68%	5,901	3.0%
C	Eggs Set	Million	0.00	205.57	-100.00%	200.38	-100.00%	2,246	-7.6%
K	Chicks Placed	Million Head	0.00	169.86	-100.00%	170.63	-100.00%	1,836	-8.7%
E	12-City Broiler	Composite	85.77	84.71	1.30%	76.67	11.90%		
N	Georgia Dock Broiler	2.5-3 Lbs.	83.98	83.07	1.10%	84.66	-0.80%		
T	Young Turkey Slaughter*	Million Head	4.45	4.38	1.69%	4.46	-0.09%	38.9	-5.2%
U	Avg. Weight	Lbs.	29.41	29.22	0.65%	29.60	-0.64%	30.1	0.6%
R	Turkey Production	Million Lbs.	130.9	127.9	2.35%	131.9	-0.73%	941	-4.1%
K	Eastern Region Hen	8-16 Lbs.	83.00	85.00	-2.40%	75.25	10.30%		
F	Corn, Omaha	$ per Bushel	3.45	3.58	-3.63%	3.74	-7.80%		
E	DDGS, Minnesota	$ per ton	89.00	91.50	-2.73%	122.50	-16.10%		
E	Wheat, Kansas City	$ per Bushel	4.11	4.25	-3.29%	5.18	-20.66%		
D	Soybeans, S. Iowa	$ per Bushel	9.38	9.55	-1.78%	9.53	-1.50%		
	SB Meal, 48% Central Illinois	$ per Ton	278.40	280.90	-0.89%	299.30	-7.00%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this table. Cow & sow slaughter are for 2 weeks earlier

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