

Daily Livestock Report

Canada's swine herd continues to contract but at a slower year-over-year rate than in recent quarters according to Statistics Canada's quarterly Hog Statistics Report released on Tuesday. Canada's inventory of all hogs and pits on April 1 was 11.885 million head, 8.6% lower than one year ago. That inventory was comprised of 10.502 million head of non-breeding animals, 8.9% lower than last year, and 1.383 million breeding animals, 6.2% below April 1, 2008. That breeding herd is **17% smaller** than Canada's all-time high breeding herd of 1.644 million head back in January 2005.

As can be seen in the chart at top right, the Canadian breeding herd is the smallest since January 2001 when Canadian producers had 1.381 million head of breeding stock on hand. When combined with a declining breeding herd, the combined U.S.-Canadian herd is down 4.6% since October 2007 — about the time that feed costs took off as oil and grain prices exploded. The combined herd of 7.935 million head is the smallest in our data set that goes back to 1982. There have been fewer breeding swine in the U.S. and Canada at some point since DeSoto and Coronado brought those first pigs across the pond but it has been a long, long time! We apologize that we don't know who was the first to bring pigs to Canada.

Canadian producers farrowed 750,400 litters in the January-March quarter, 6.9% fewer than a year earlier. Those litters yielded 8.049 million pigs born and a pig crop (ie. pigs saved) of 7.375 million head. Those numbers are 6.9% and 7.3% lower, respectively, than one year ago. Canada's pig crop per litter of 9.82 in January-March compares to 9.48 for the December-February quarter in the U.S. The percentage increases in farrowings, pigs born and pig crop fit quite reasonably with the change in the breeding herd.

This pattern is quite familiar as the Canadian herd has been contracting for over 4 years. The liquidation was originally driven by a stronger Canadian dollar that sharply reduced Canadian producers' revenues since Canadian prices are U.S. prices converted to Canadian dollars. A stronger Canadian dollar means fewer of them per U.S. dollar. The Canadian dollar has weakened about 35% since November 2007 but the same higher costs that have hurt U.S. producers have picked up where lower revenues left off. Canadian producers have continued to lose money—at about the same rate per head this year as their U.S. counterparts.

This week's changes in CME Lean Hogs, Corn and Soybean futures prices have dimmed the profit prospects for pork producers considerably. Two weeks ago, year-to-date performance and futures prices indicated profits from May through June and average losses of \$3.06/cwt carcass (just over \$6/head) for all of 2009. The same computations with prices from Thursday provide a profit forecast for only August and it amounts to \$0.15/cwt carcass. Year-to-date losses plus the futures-based forecasts now imply losses of nearly \$15/head for 2009. Pork producers have lost money, on average, in 15 of the past 17 months. A good number of producers are nearing the limit of their operating capital so, should markets remain in their current conditions, these projected losses could drive another round of breeding herd liquidation. Some producers will be able to weather the storm based on past risk management decisions but they will likely be in the minority.

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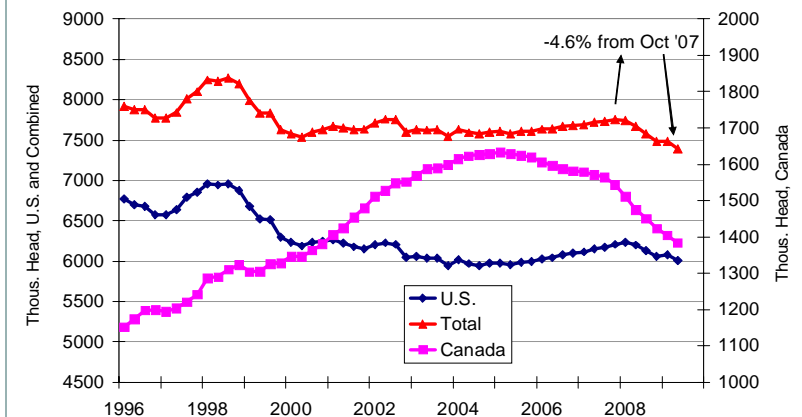
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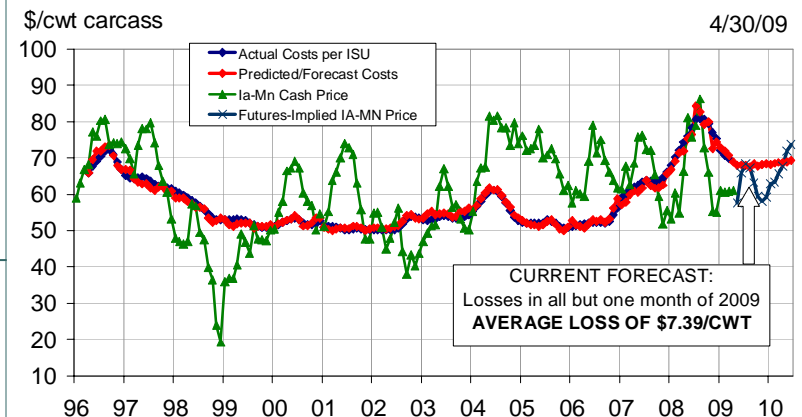
E-Livestock Volume	4/30/09	4/29/09	4/23/09
LE (E-Live Cattle):	13,456	15,513	13,765
GF (E-Feeder Cattle):	1,546	1,527	1,252
HE (E-Lean Hogs):	28,648	26,365	8,878

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BREEDING HERDS: U.S., CANADA & COMBINED



ACTUAL & PREDICTED HOG PRODUCTION COSTS* AND PRICES



*Based on relationship between ISU Estimated Costs & Returns data and historic Omaha corn and Decatur soybean meal prices