

Daily Livestock Report

Market Comments

Things have turned negative in a hurry for US feeder pig producers as prices have collapsed in the face of surging supplies, recession, and the residual impact of the H1N1 outbreak. While the effect of the flu on US consumer demand may not have been as significant as earlier feared, the outbreak of the disease and the unfortunate misnomer (swine flu) backed up marketings at time when the industry was already struggling with too much supply (see comments in the Friday edition about current production levels and impact on price).

There is plenty of speculation in the market as to what will happen with the US hog breeding herd and the optimal number of sows that need to be retired in order to bring supplies more in line with both domestic and export demand. No one really knows what that optimal number is but the collapse in feeder pig prices and surging feed costs has likely made the situation untenable for many producers, especially those that try to sell a larger portion in the spot market. The latest USDA report puts the weighted average price for early weaned pigs at \$25.23 /cwt, some 22% lower than a year ago and 23% lower than the five year average. The weighted average price for feeder pigs, 40-50 pound range, was pegged at \$28.94 /cwt, 21% lower than a year ago and 40% lower than the five year average. Prices do tend to fall in the summer but current levels go past what one would expect from a simple seasonal decline. Also important to point out is that the prices quoted above reflect overall weighted average prices for pigs that are sold either on a formula or spot basis. As expected, spot prices have fallen especially hard. Spot prices for early weaned pigs were last quoted at \$13 /cwt, about 3% lower than the very depressed levels of a year ago and 52% lower than the five year average. Last year spot prices for early weaned pigs were as low as \$6 /cwt, with producers struggling to find a market for their pigs as corn prices rocketed higher. Spot values for the 40-50 lb. feeder pig composite price were last quoted at 5% below year ago levels and 42% lower than a year ago. One thing that the USDA data does not show is the price difference, if any, for Canadian and US born pigs. Some anecdotal evidence suggests that US born pigs command a premium in the marketplace. If true, this would help explain why some US producers are reluctant to reduce sow numbers despite such a sharp pull-back in feeder prices. Without hard numbers, however, it is difficult to back up such a claim.

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E-Livestock Volume	15-Jun	12-Jun	8-Jun
LE (E-Live Cattle):	8,030	8,129	8,939
GF (E-Feeder Cattle):	1,000	1,828	2,279
HE (E-Lean Hogs):	16,056	19,426	18,425

