

Daily Livestock Report

Market Comments

In the midst of a precipitous decline in hog prices, **USDA will release on Friday, June 26 the results of its quarterly survey of US hogs and pigs operations.** The report will provide a more up to date snapshot of US hog supplies and, even more importantly, an indication as to where the industry is headed in the next 12 months. Keep in mind, however, that the survey was conducted in May and reports conditions as of June 1. While the hog market deteriorated significantly in May (especially summer futures), it has declined further during June so some of the numbers regarding farrowing intentions (based on expectations of sow inventory declines) already may be out of date. The nearby lean hog futures declined 283 points on Wednesday, establishing new life of contract lows. Out front futures also lost ground and since June 1 December lean hog futures have declined some \$7/cwt, projecting even bigger losses in Q4. Based on the latest closing prices, projected losses will extend through the first half of 2010.

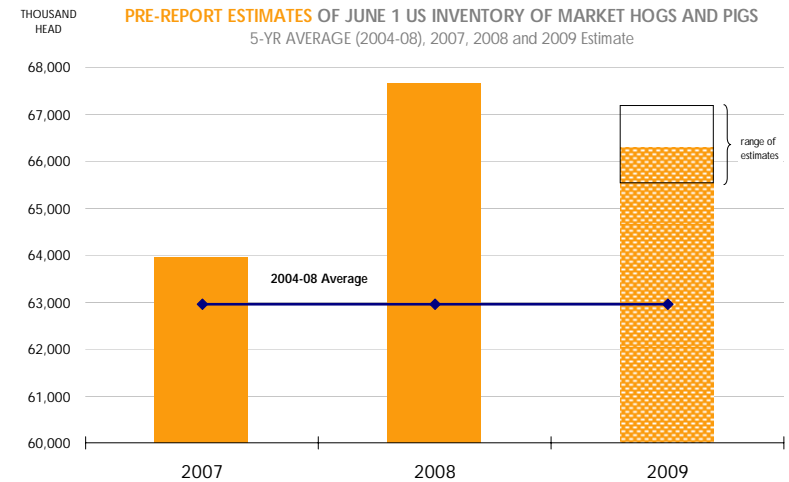
We have noted several times in the past that current hog supplies simply are too large to absorb in the domestic market without having a negative impact on prices. All the pork produced will be consumed but prices will have to adjust to some lower price point in order to induce consumers to buy that extra pound of pork. The steady decline in nearby hog prices is an indicator that we are still trying to find a bottom in the hog market. As the chart to the right shows, the inventory of market hogs, which are hogs that will come to market in June, July and August, is currently expected to be down 2% from a year ago but supplies still are expected to be 3.7% higher than in 2007 and 5.3% higher than the five year average. And the fact that we are bringing to market hogs which are record large for this time of year further adds to the overall supply. Needless to say, going forward the market will pay very close attention to what happens with the breeding herd. As of June 1, the breeding herd is expected to show a 2.4% decline from a year ago. Keep in mind that while sow slaughter has been trending significantly lower than a year ago in recent months, the sow herd was down 3% in the March 1 count so we still will have a smaller breeding herd than a year ago. US sow slaughter in March, April and May was on average 15% below year ago levels so it is possible that the June 1 sow inventory will not be down as much as pre-report estimates indicate. A larger than expected sow herd would mean larger farrowings in Mar - May period. Pigs per litter continue to increase, which means that cutbacks in the herd will need to be even larger in order to offset the steady productivity gains.

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E-Livestock Volume	24-Jun	23-Jun	17-Jun
LE (E-Live Cattle):	12,170	14,676	8,796
GF (E-Feeder Cattle):	1,275	1,889	1,352
HE (E-Lean Hogs):	18,766	13,682	16,152

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Summary of Dow Jones Survey of Analysts in Anticipation of June 1 US Hogs and Pigs Inventory (percent of year ago)

Main Categories	Average	Range
All hogs and pigs on June 1	98.1	96.7 - 99.0
Kept for breeding	97.6	96.2 - 98.5
Kept for marketing	98.0	96.7 - 99.1
Hogs weighing under 60 lbs	98.2	97.0 - 99.0
Hogs weighing 60 to 119 lbs	97.7	96.7 - 98.6
Hogs weighing 120-179 lbs	97.7	96.2 - 99.0
Hogs weighing 180 and over	98.6	96.1 -101.2
Mar-May farrowings	97.3	96.0 - 99.0
Mar-May pigs per litter	101.8	101.0 -102.2
Mar-May pig crop	99.1	97.0 -100.8
Jun-Aug farrowing intentions	96.7	95.0 - 99.0
Sep-Nov farrowing intentions	97.5	94.0 - 99.2