

## March 2008 Hog and Pig Report

The March Hog and Pig Report was released March 28 and reports a national inventory of just less than 66 million hogs, up 6.5% from this time last year. Expectations of a larger marketing hog inventories was more than realized with an increase of 7.2% to a quantity of 59.8 million head. Breeding hogs now number 6.1 million head, about 0.5% above a year ago. This report indicates that the rate of expansion has slowed, but not stopped as of March first.

The Sep-Nov pig crop was 6.8% larger than the year before and the Dec-Feb pig crop was up 6.4%. These are estimates of the change in hog slaughter for second and third quarters compared to the year before. Fourth quarter 2008 slaughter will be based on Mar-May farrowings which are expected to be only slightly higher than the year before. First quarter 2009 slaughter is expected to post a year over year decline as farrowing intentions for Jun-Aug are 2.5% lower than one year earlier.

**Table 1. March Hog and Pig Report Summary**

	US		Iowa	
	Million Hd.	% change	Million Hd.	% change
<b>All Hogs</b>	65.91	6.5%	18.7	10.7%
<b>Breeding Herd</b>	6.14	0.5%	1.1	0.9%
<b>Market Hogs</b>	59.77	7.2%	17.6	11.3%
Under 60	21.90	7.4%	5.42	16.6%
60 - 119	14.29	7.0%	4.6	9.3%
120 - 179	12.44	6.5%	4.13	9.3%
180 & over	11.14	7.8%	3.45	8.8%
<b>Sows farrowing</b>				
Sep - Nov	3.10	6.4%	0.51	6.3%
Dec - Feb	3.05	5.0%	0.5	9.9%
Mar - May	3.05	0.5%	0.49	2.1%
Jun - Aug	3.04	-2.5%	0.49	2.1%
<b>Pig Crop</b>				
Sep - Nov	28.69	6.8%	4.743	9.2%
Dec - Feb	28.09	6.4%	4.575	11.7%
<b>Pigs per Litter</b>				
Dec - Feb	9.21	1.3%	9.15	1.7%

Given this estimate of inventory, live hog prices are expected to average \$42-44 in each of the next four quarters. Comparable lean hog carcass prices would be \$55-59. The typical seasonal rally may be muted this year due to the large supplies, with less increase in supplies in the fourth quarter reducing the seasonal decline in prices there. First quarter 2009 prices are forecast to be higher than those just experienced in early 2008 and should move higher in summer 2009 if the liquidation continues.

Pork producers are experiencing significant losses with today's feed costs and the current hog prices. This forecast indicates that losses will continue through early 2009 unless something (costs or prices) changes significantly. For producers buying feed inputs at current prices and paying contract growers to raise the hogs total cost of production is approaching \$58/cwt live (\$77/cwt carcass) resulting in losses near \$40/head. Producers raising their own corn (estimated to be \$3/bu cost to raise in 2007) and that have facilities paid for are estimated to have direct costs of approximately \$45/cwt live (\$60/cwt carcass). Thus, even these producers may not have a positive cashflow in 2008.

**Table 2. Forecast Hog Production and Prices**

	% change in production	ISU forecast Live \$/cwt	March 28 Futures, live	07 Cornbelt Basis	Basis Adjusted, live
Apr-Jun	+7.0	43-45	50.42	-1.75	48.67
Jul-Sep	+7.0	42-44	52.52	-1.53	51.00
Oct-Dec	+1.0	40-45	52.81	-2.67	50.14
Jan-Mar	unchanged	40-45	56.44	-2.69	53.76

**Other factors to watch...**

The Canadian pork industry is also under financial stress. The stronger Canadian dollar compared to the US has made their hog and pork exports more expensive in the US and elsewhere. During the first 12 weeks of 2008 feeder pig imports from Canada to the US were up 27% and slaughter hog imports increased 32% compared to the same period in 2007. The Canadian government will release its inventory report in the coming weeks to indicate if liquidation is continuing there. If the Canadian sow herd is declining we may see the number of imports to the US decline as well. Likewise, country of origin labeling is slated to begin September 30, 2008. US producers buying Canadian pigs need to check with packers about who is buying Canadian pigs and at which plants.

The slow down of the US economy may pressure pork demand as consumers look to stretch their household budget. Pork is less vulnerable than beef because it is less expensive, particularly now given the large supplies, and is on fewer restaurant menus. However, broilers may gain on pork as a cheaper alternative at the retail counter.

The weaker US dollar should help pork exports in the months ahead. China has been a big buyer of pork in recent months and should continue to be so in 2008. Pork exports to China exceeded those to Mexico, our second largest market behind Japan, in November and January.

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