Commentary on September 1, 2011
USDA Hogs and Pigs Report

Dr Mike Brumm
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Table 1. September 1, 2011 All Hogs and Pigs inventory in all states with 1 million or more pigs.

State	Breeding Herd	Kept for Market	All Hogs and Pigs	Market per Breed
	000 hd	000 hd	000 hd	
Iowa	1,020	18,980	20,000	18.61
N Carolina	850	8,250	9,100	9.71
Minnesota	560	7,210	7,800	12.88
Illinois	490	4,160	4,650	8.49
Indiana	300	3,500	3,800	11.67
Nebraska	380	2,870	3,250	7.55
Missouri	360	2,490	2,850	6.92
Oklahoma	400	1,930	2,330	4.83
Ohio	170	1,940	2,110	11.41
Kansas	180	1,700	1,880	9.44
S Dakota	170	1,150	1,320	6.76
Pennsylvania	90	1,010	1,100	11.22
Michigan	110	960	1,070	8.73
US	5,806	60,793	66,599	10.47

Historically, the September 1 inventory is the largest inventory of the calendar year and this year is no exception. Inventories peak on the September report because of the great success in the farrowing house for spring farrowings, a rebound from summer and fall heat induced reproductive problems, and a slow down in pig performance due to summer heat, meaning pigs remain on farms longer where ever possible to attain desired sale weights.

For the first time, Iowa had 20 million pigs in inventory on September 1. This increase is due to the increase in the kept for market category, not growth of the breeding herd. Clearly this inventory is higher due to the extreme heat of mid to late July. With the inventory taken on September 1, it was too soon for the impacts of the summer heat to have faded from production systems.

In this commentary, I've included a column in Table 1 that computes the kept for market inventory divided by the breeding herd inventory. In the US, there were 10.47 pigs in the kept for market inventory per breeding herd animal, the largest inventory ever when expressed in this manner. As a point of reference, this number was 10.25, 10.36 and 10.43 for the September 1 counts in 2008, 2009, and 2010 respectively. While summer heat and improved performance of the breeding herd impact this number, another impact that needs to be considered is the continued increase in slaughter weights for US market pigs. While many production systems have had improved rates of gain allowing them to sell heavier pigs from the same inventory base, others continue to struggle with PRRS and other gain limited health challenges that show up as larger inventories.

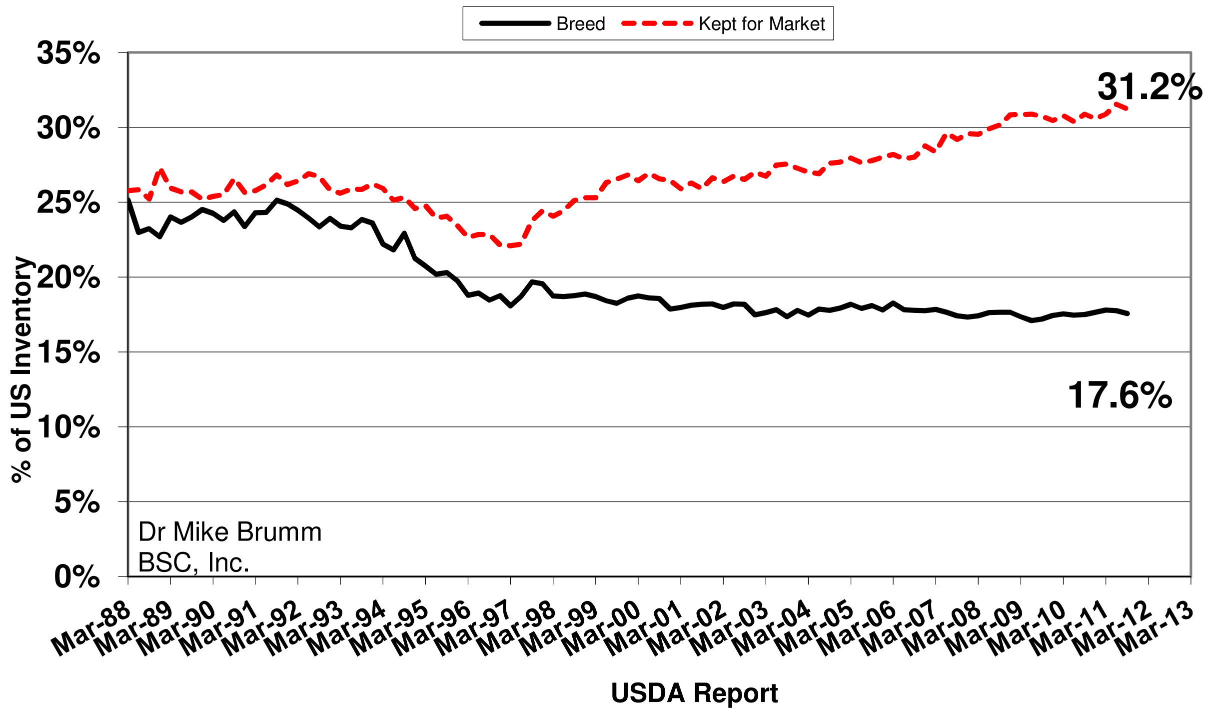
To better understand the on-going change in the structure of the US industry, I've included a graphic of the market pigs per breeding inventory for the top 6 states in total inventory since 1988. One way to interpret this graph is to think about weaned pig flows. Any state with a market number per breeding animal less than the US average (such as Nebraska and North Carolina) is most likely sending weaned pigs to another state for growth to slaughter. Any state (such as Iowa, Minnesota and Indiana) with a large number is importing pigs to fill finishing facilities.

The import of pigs in Iowa and Minnesota includes Canadian born pigs (approximately 90,000 pigs/week in 2011) while the Indiana import represents the recent construction of facilities housing North Carolina born pigs. In states where sow herd numbers have remained relatively stable while the kept for market inventory has grown (such as Iowa, Minnesota and Indiana), this means new finishing facilities have been constructed to house this increase in inventory. Based on personal experience, these are the states that saw some construction activity this summer for wean-finish facilities.

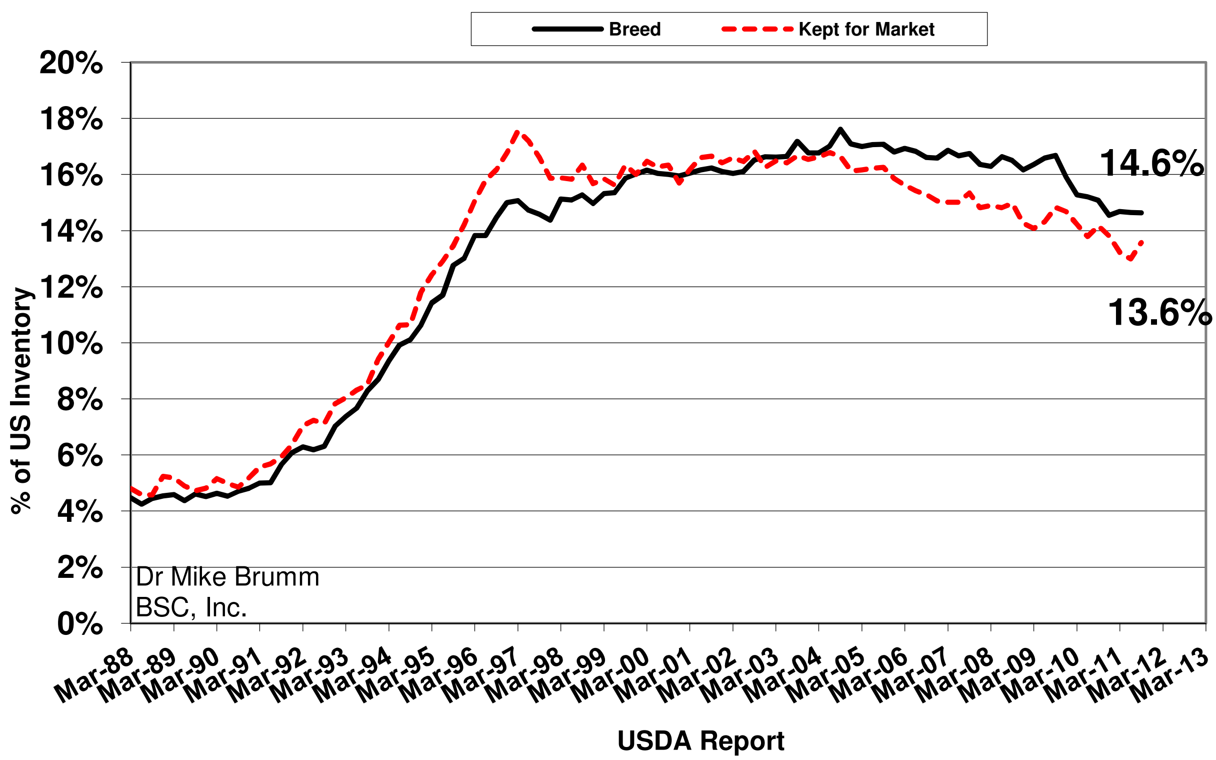
The US breeding herd continues to be remarkably stable. On September 1 for 2008, 2009, 2010 and 2011, the US herd was 6.061, 5,875, 5,770 and 5,806 million head respectively. Any new construction of breeding herd facilities represents a replacement of older (and often smaller) facilities. Others have already commented on the general lack of construction activity for breeding females. A majority of producers are selling more pigs as a result of gains in productivity from the existing herd rather than from expansion of herds.

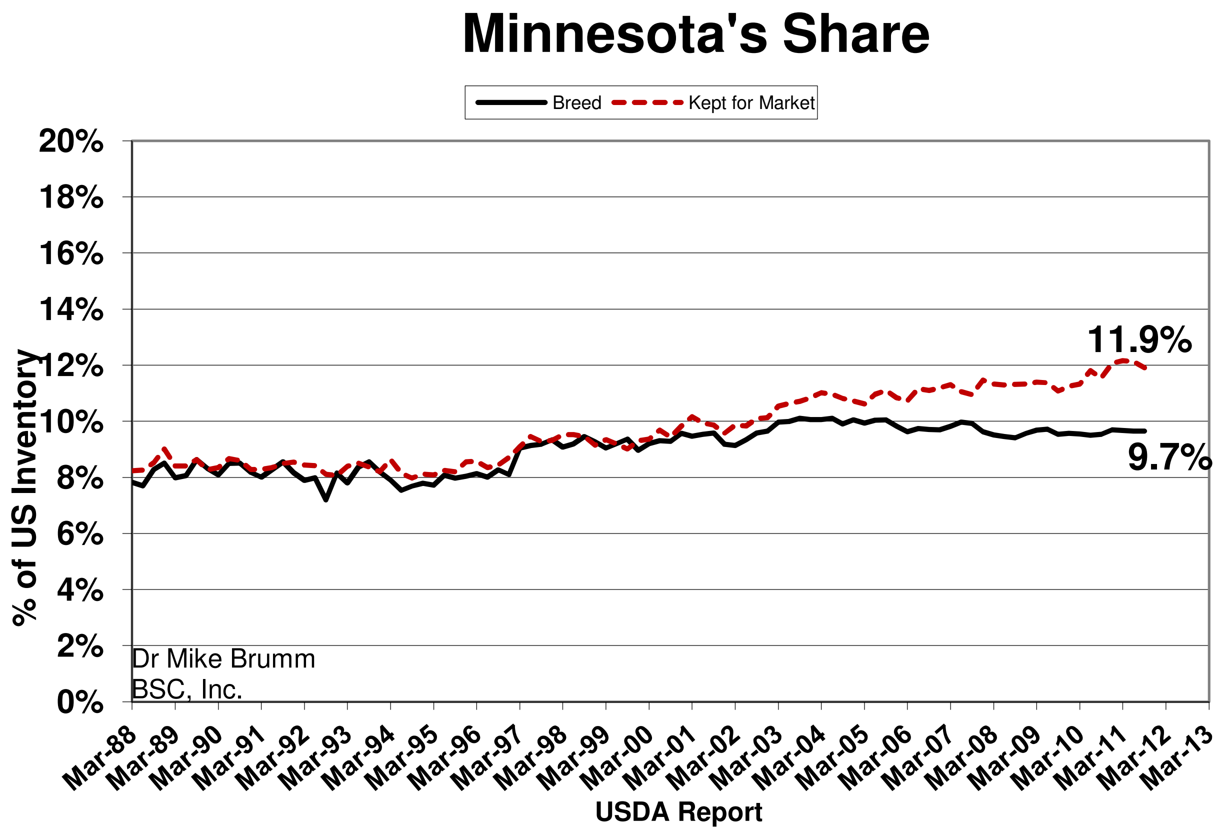
In spite of recent declines in corn and soybean prices and relatively steady fall slaughter prices, producers have shown little optimism for the coming year. The cash market price for both SEW pigs and 40 pound feeder pigs remains considerably below the contract price paid for the same pigs. SEW pigs purchased this week would be expected to go to slaughter in February and early March and the cash price for these pigs last week averaged only $17.40 per pig delivered, well under the cost of production.

Iowa's Share



N Carolina Share




Minnesota's Share
Breed
Kept for Market
% of US Inventory
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
11.9%
9.7%
Dr Mike Brumm
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Mar-88
Mar-89
Mar-90
Mar-91
Mar-92
Mar-93
Mar-94
Mar-95
Mar-96
Mar-97
Mar-98
Mar-99
Mar-00
Mar-01
Mar-02
Mar-03
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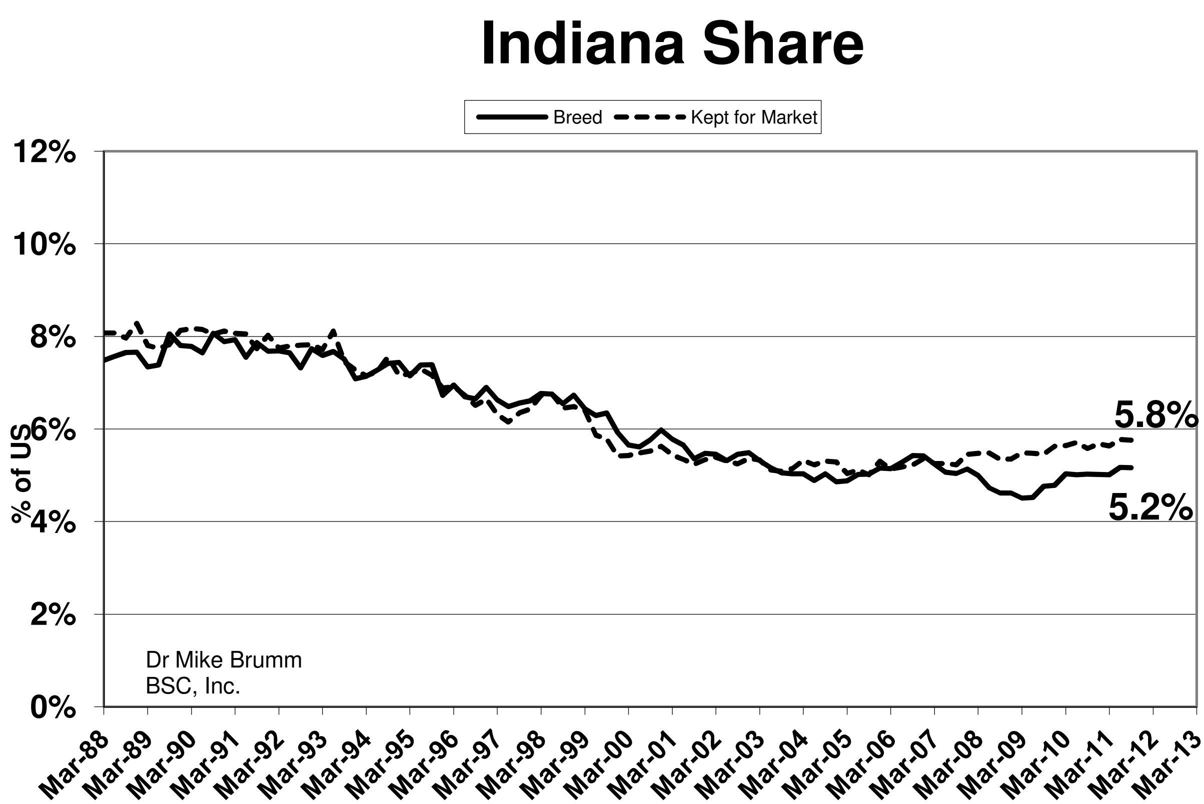
Mar-11
Mar-12
Mar-13
USDA Report


Indiana Share
Breed
Kept for Market
% of US
12%
10%
8%
6%
4%
2%
0%
5.8%
5.2%
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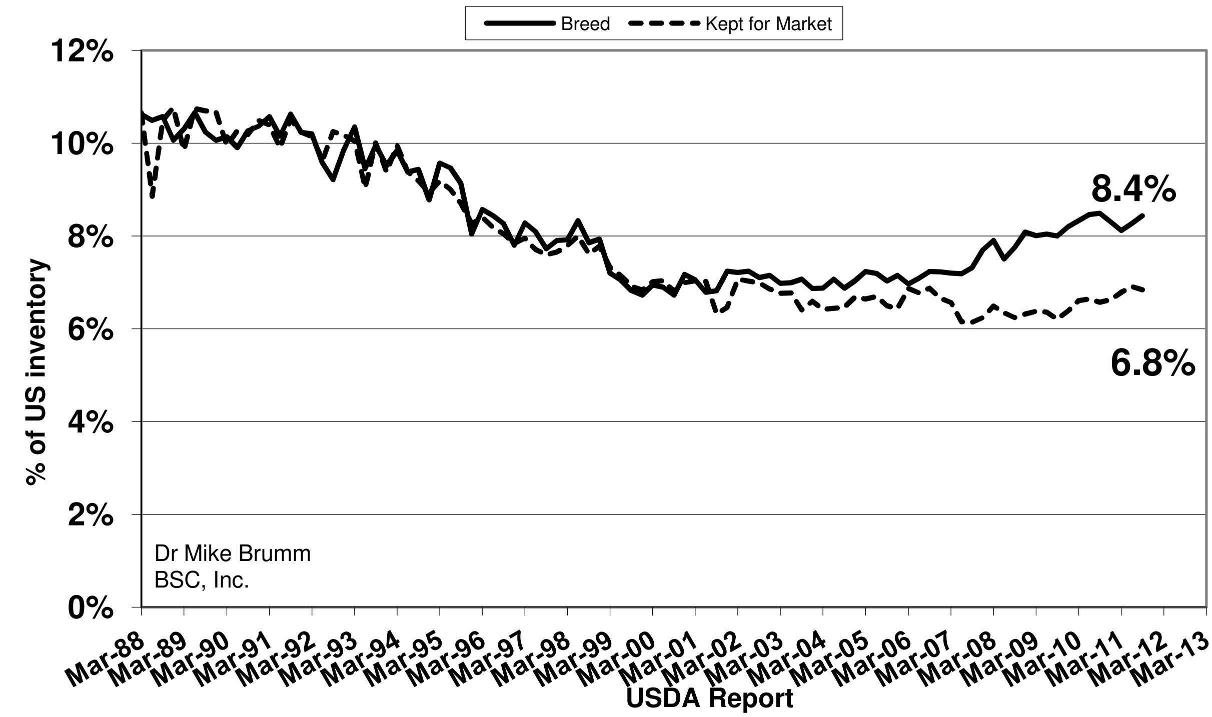
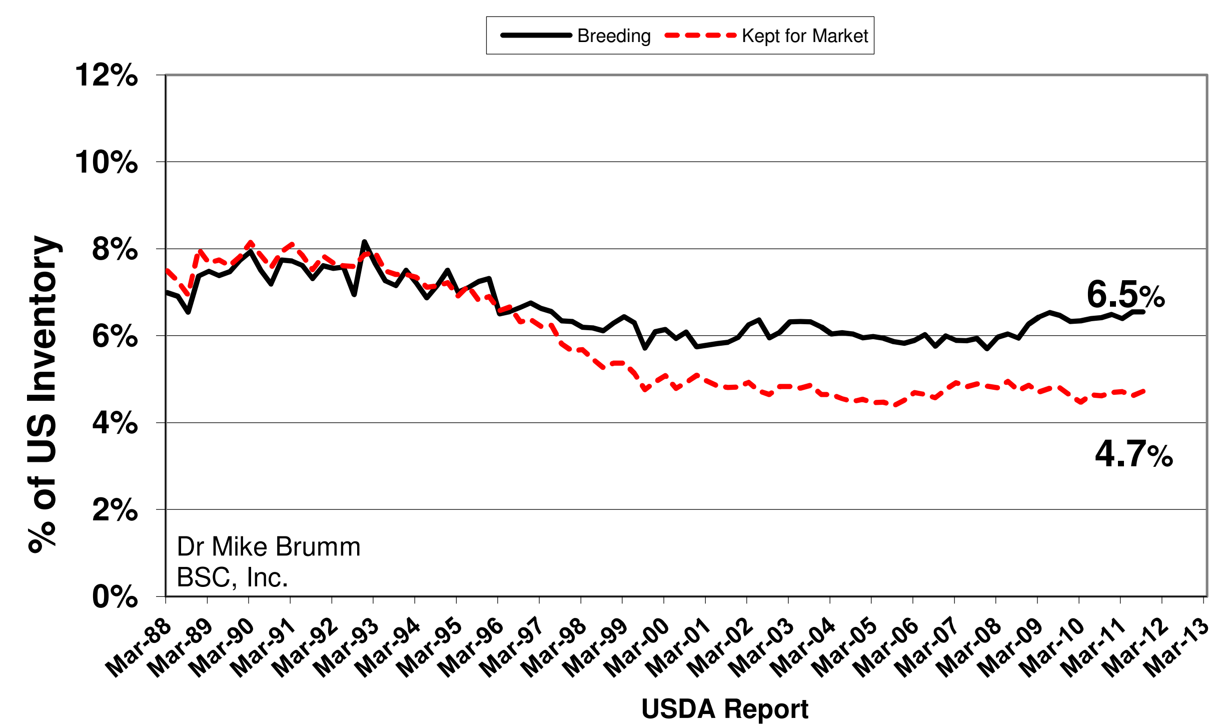
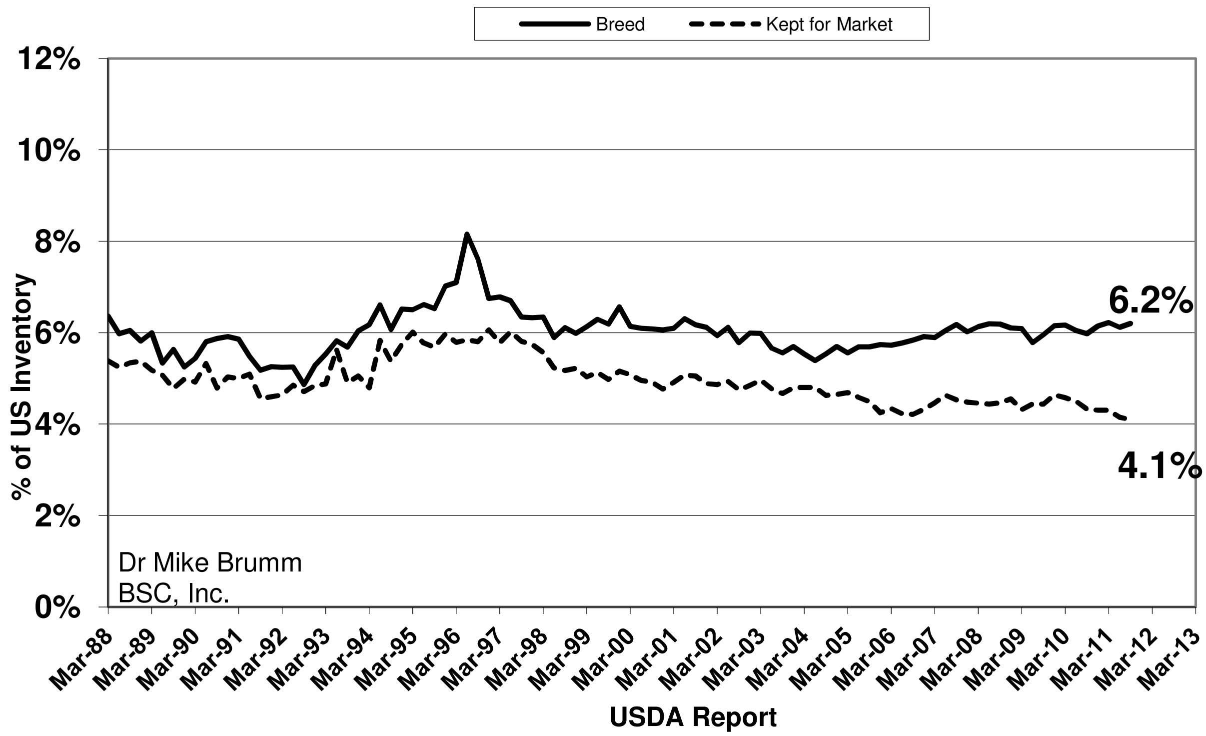
Illinois Share



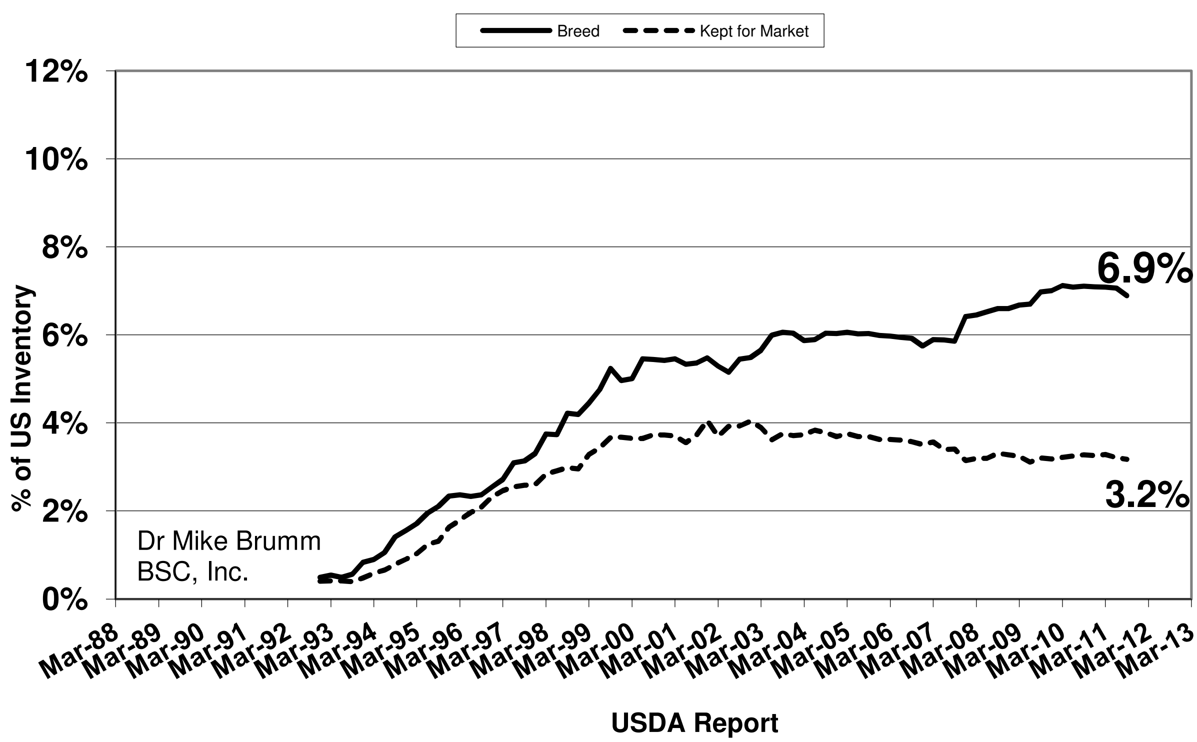
Nebraska's Share



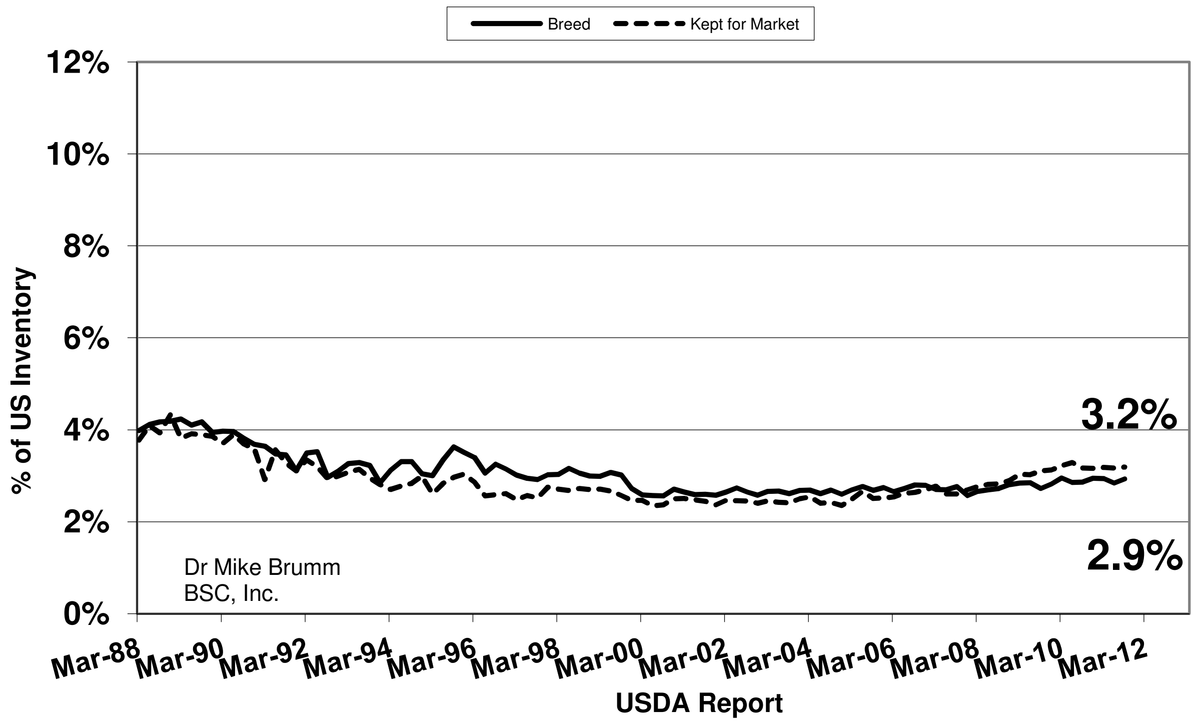
Missouri Share



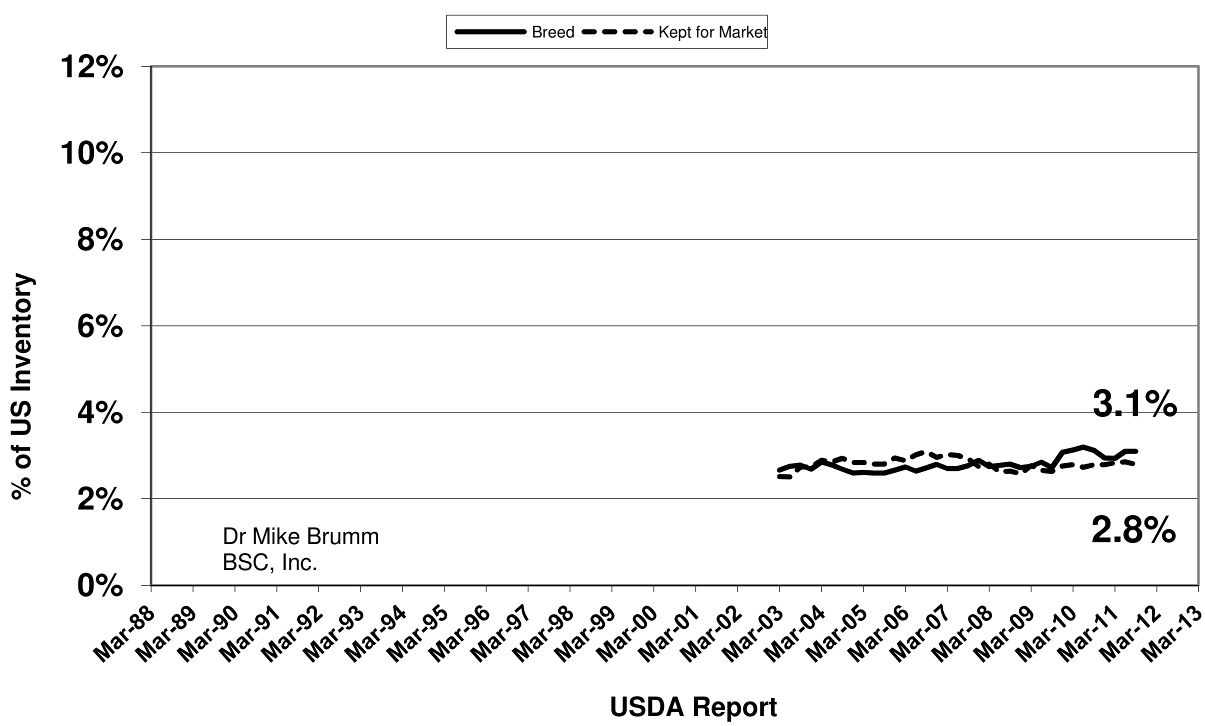
Oklahoma Share



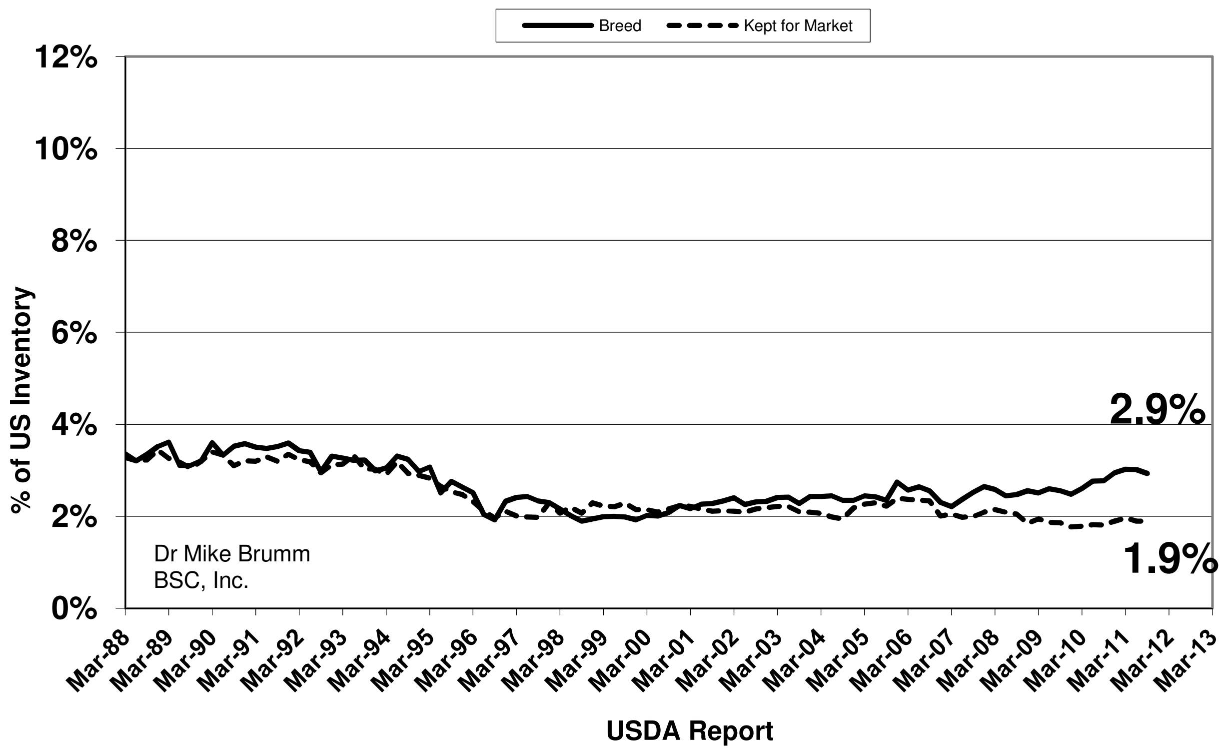
Ohio's Swine Industry



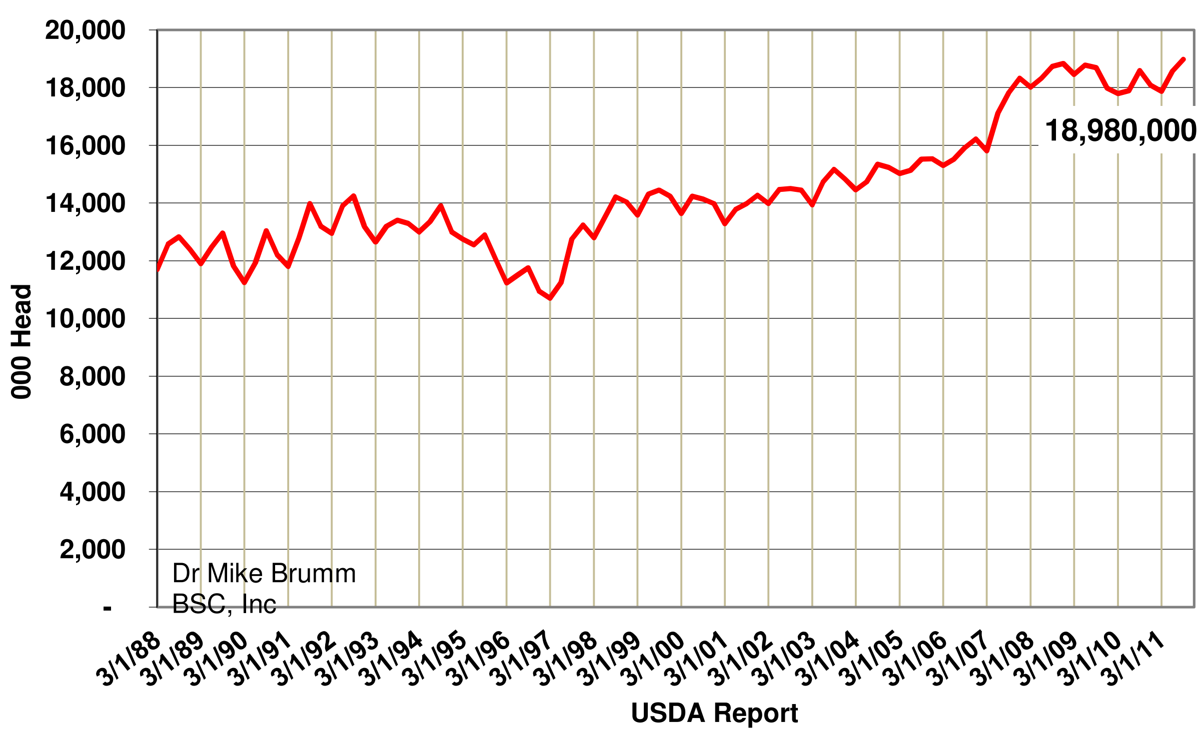
Kansas's Swine Industry

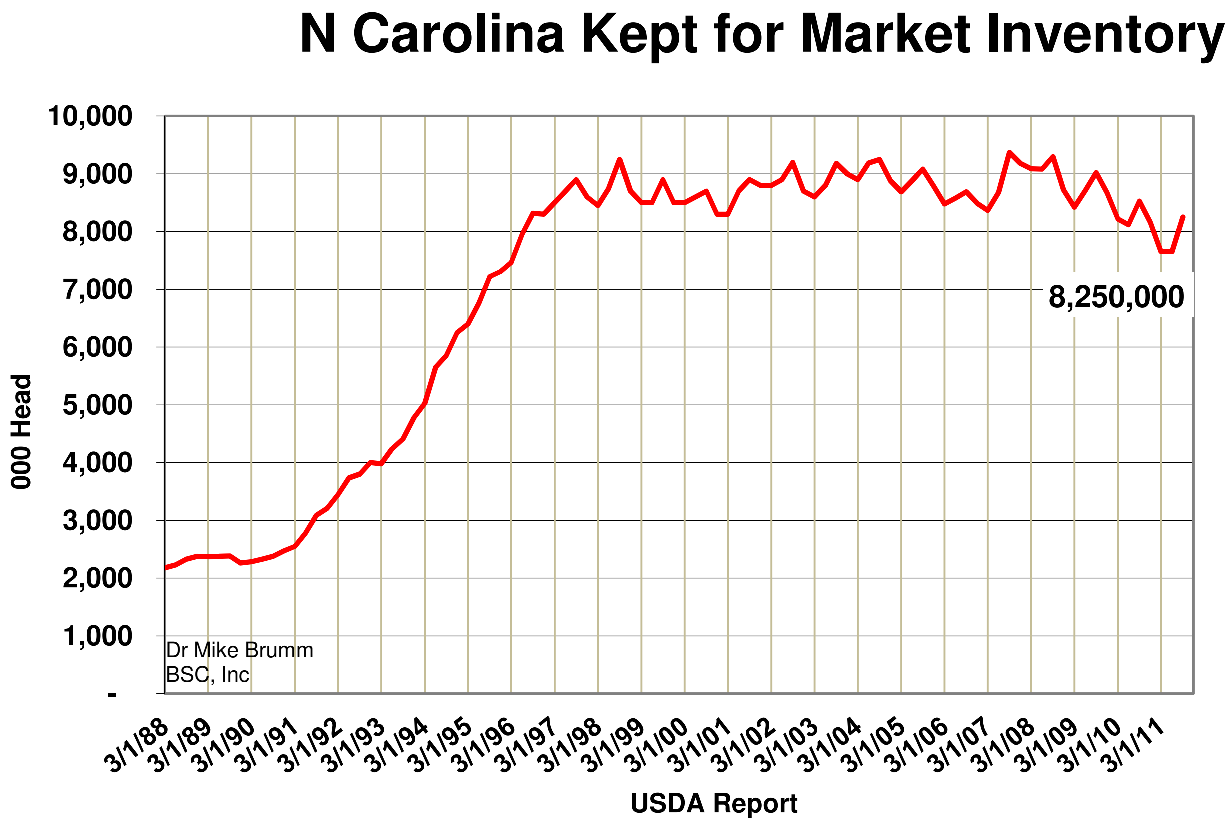


South Dakota's Swine Industry



Iowa Kept for Market Inventory




N Carolina Kept for Market Inventory
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
000 Head
8,250,000
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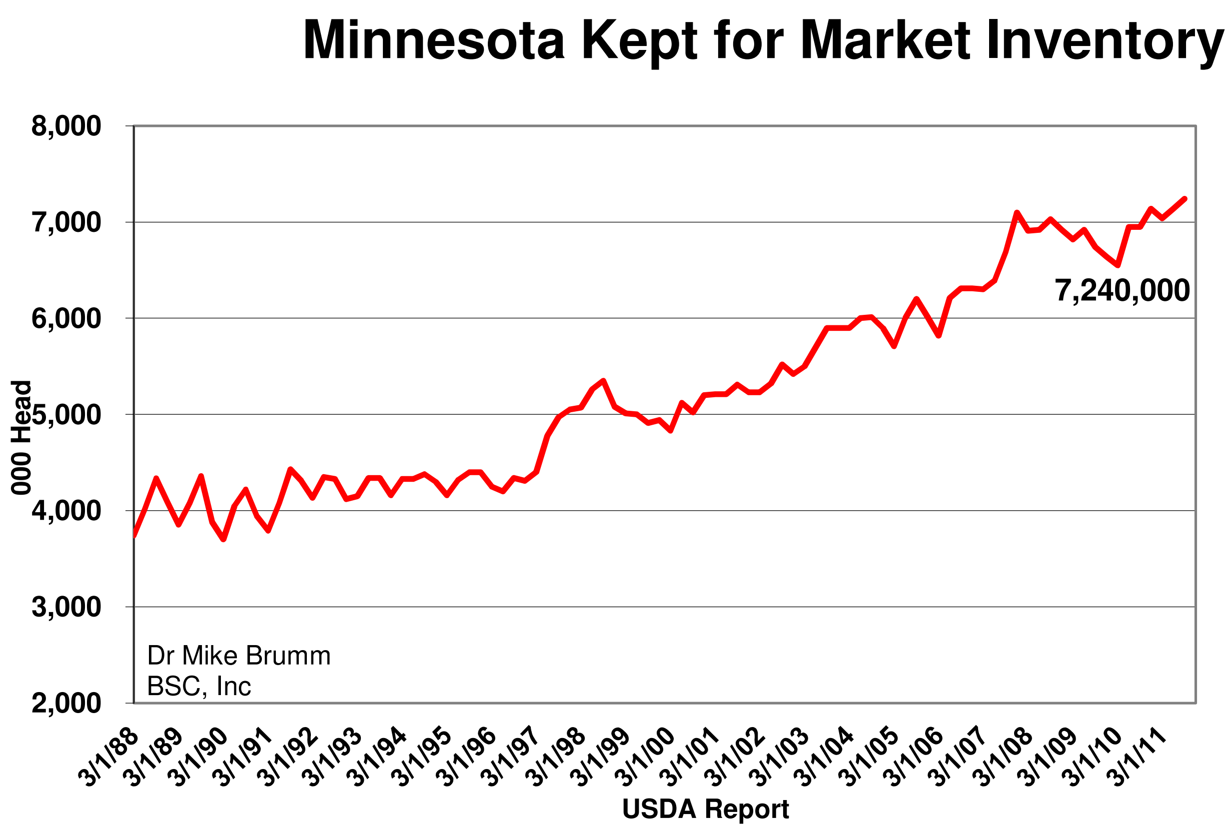
3/1/88
3/1/89
3/1/90
3/1/91
3/1/92
3/1/93
3/1/94
3/1/95
3/1/96
3/1/97
3/1/98
3/1/99
3/1/00
3/1/01
3/1/02
3/1/03
3/1/04
3/1/05
3/1/06
3/1/07
3/1/08
3/1/09
3/1/10
3/1/11
USDA Report


Minnesota Kept for Market Inventory
8,000
7,000
6,000
5,000
4,000
3,000
2,000
000 Head
7,240,000
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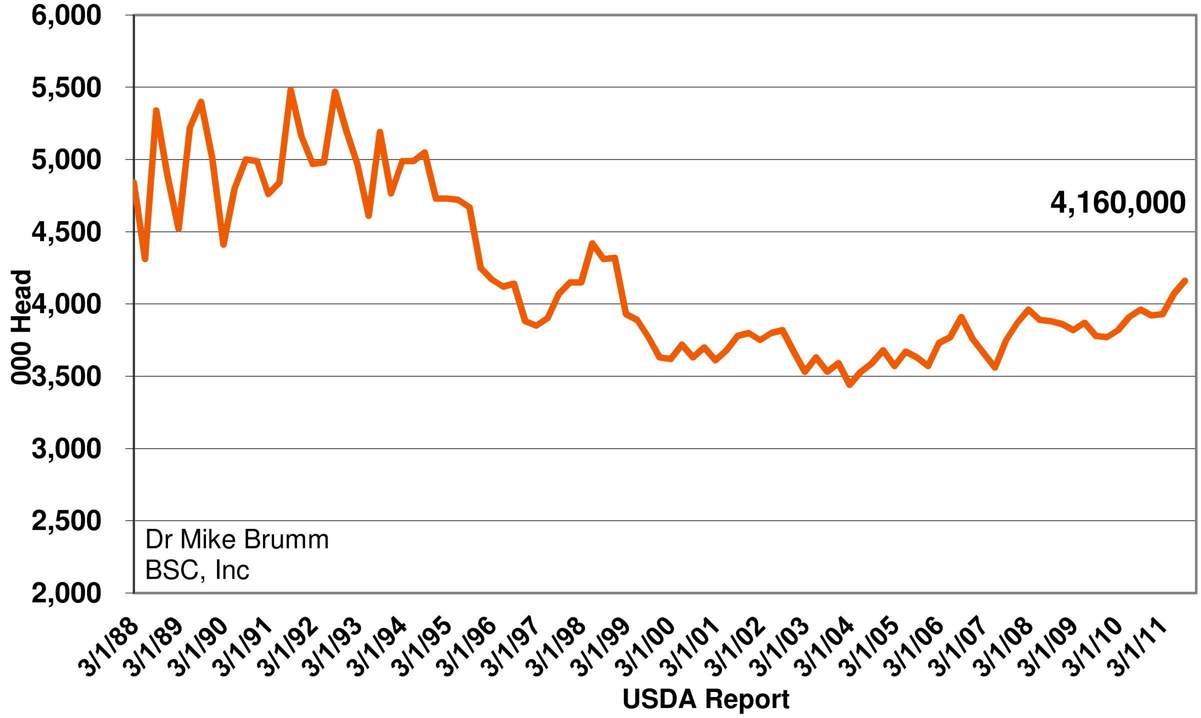
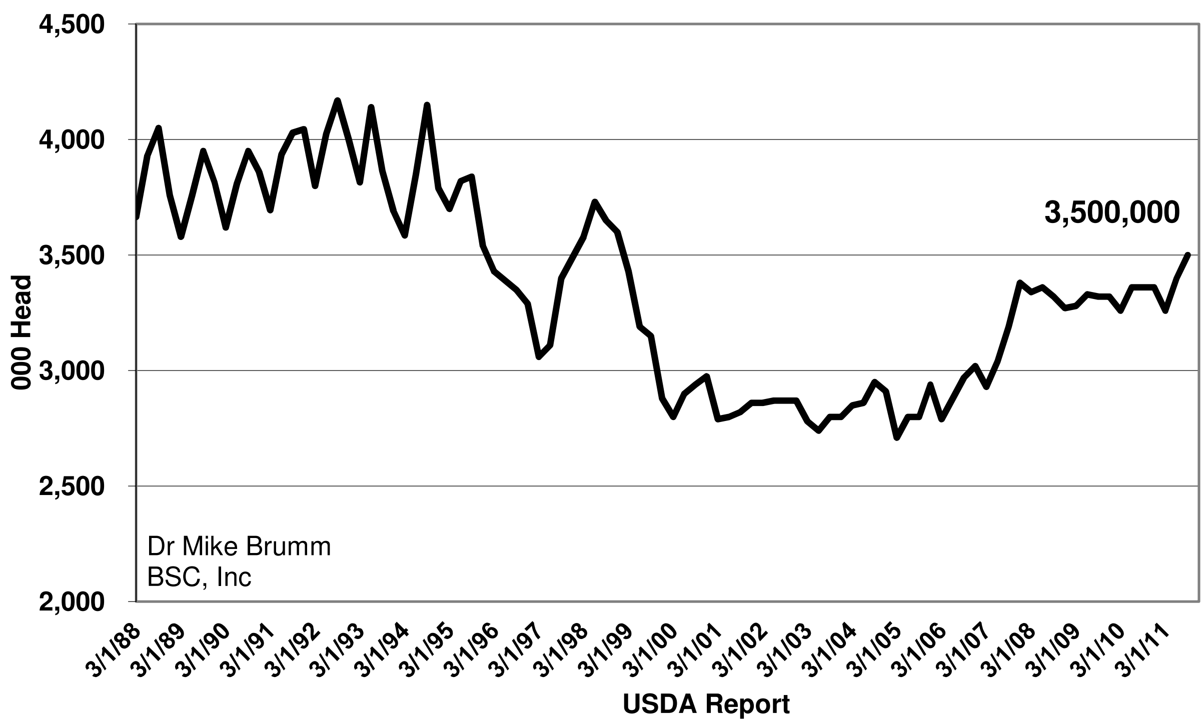
3/1/88
3/1/89
3/1/90
3/1/91
3/1/92
3/1/93
3/1/94
3/1/95
3/1/96
3/1/97
3/1/98
3/1/99
3/1/00
3/1/01
3/1/02
3/1/03
3/1/04
3/1/05
3/1/06
3/1/07
3/1/08
3/1/09
3/1/10
3/1/11
USDA Report

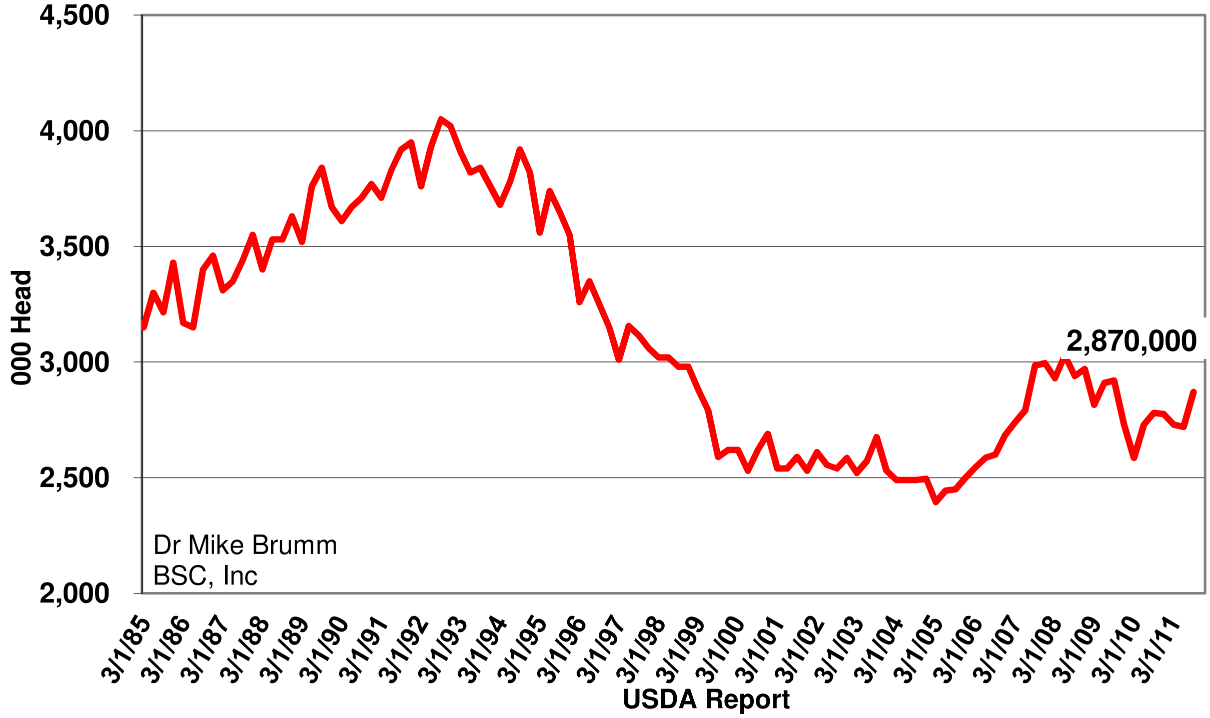
Illinois Kept for Market Inventory



Indiana Kept for Market Inventory

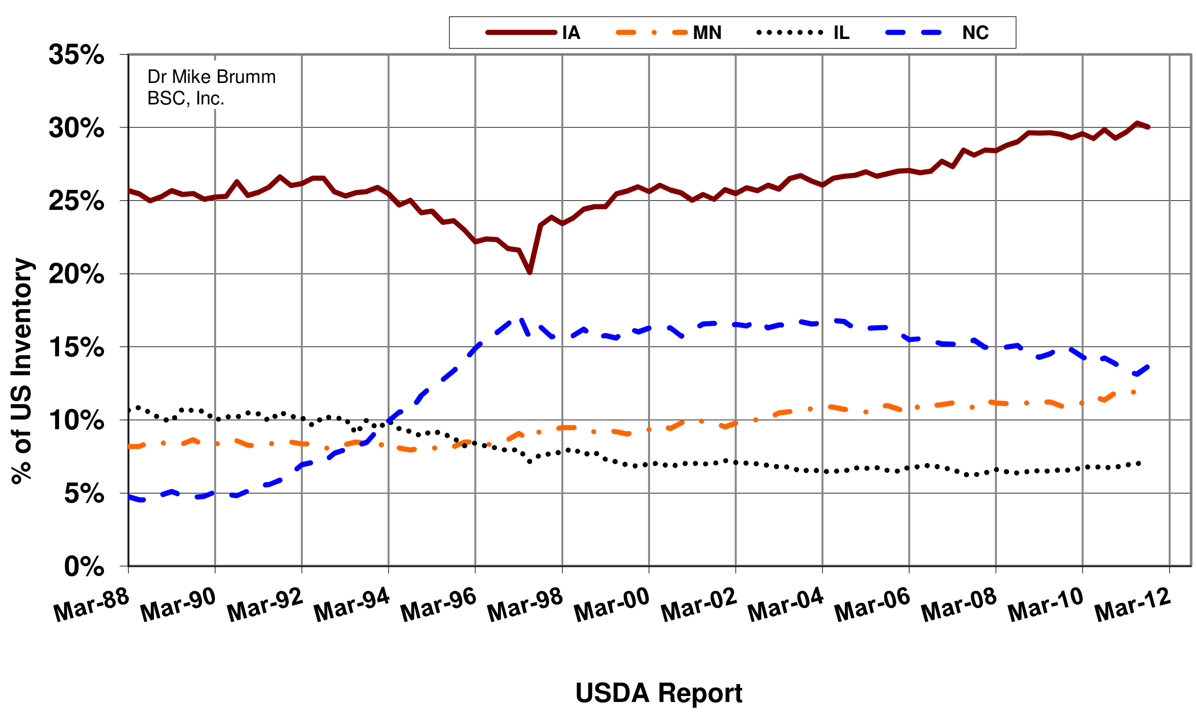


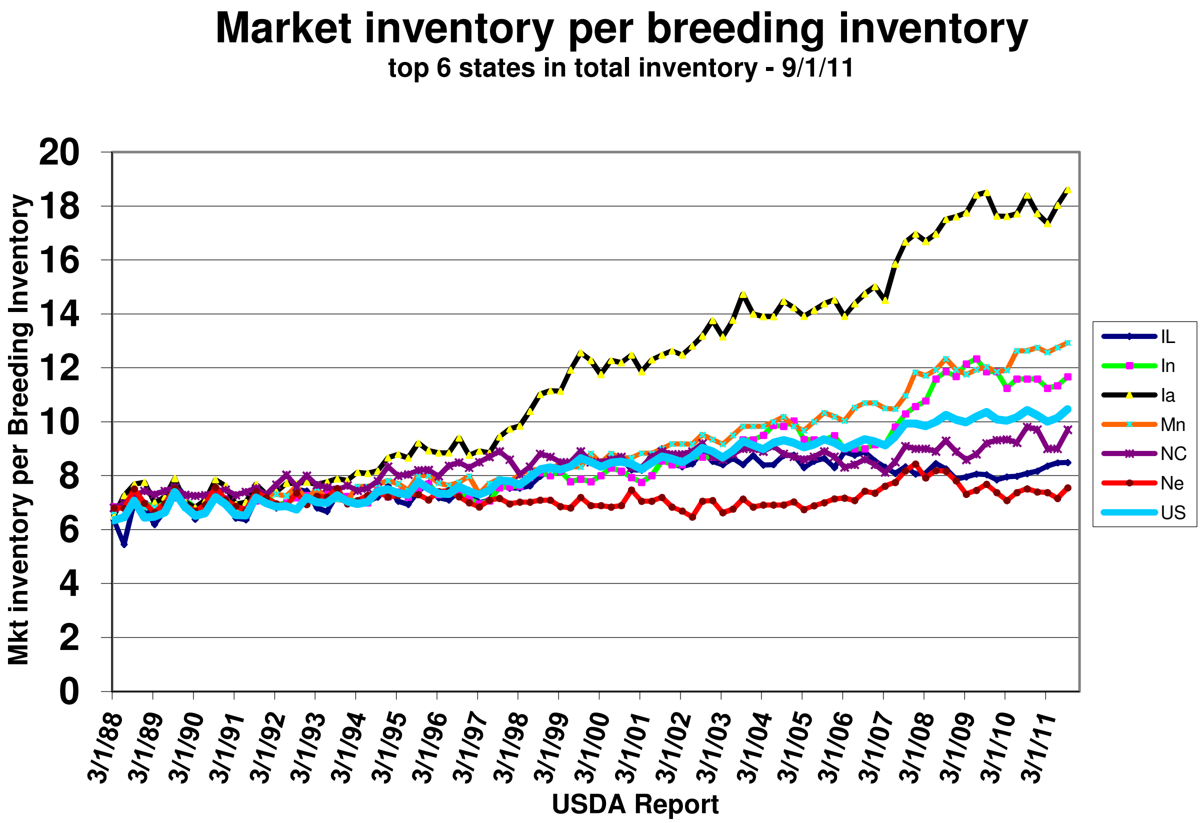
Nebraska Kept for Market Inventory

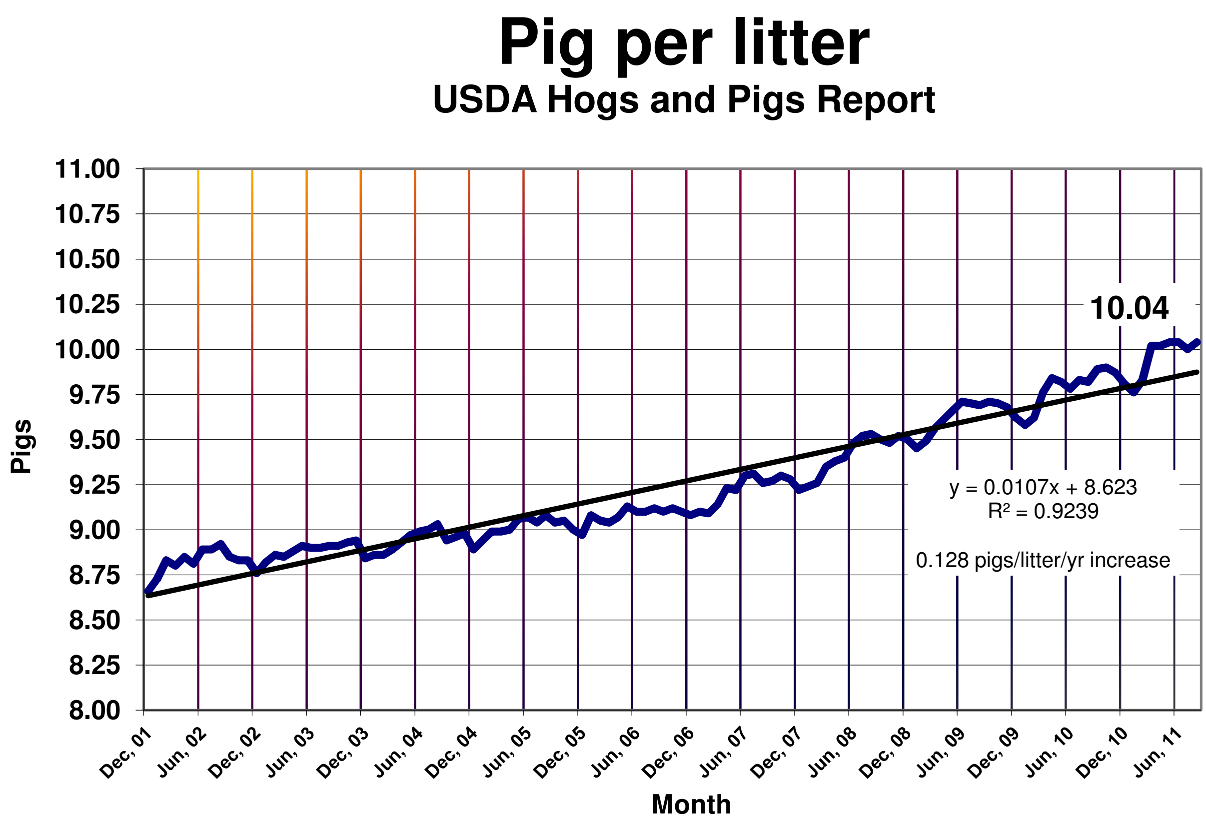


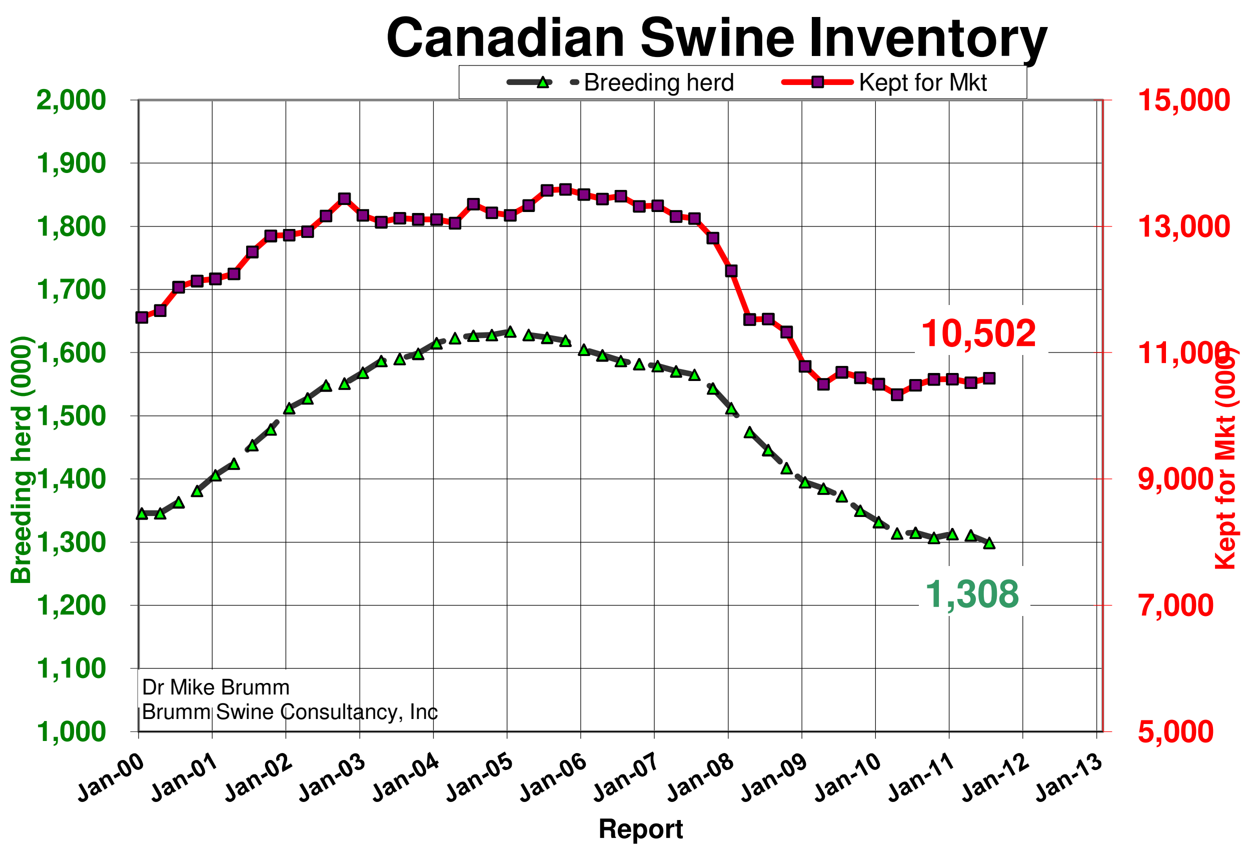
Iowa's Dominance

4-State All Hogs and Pigs - 62.4% of US Inventory 9/1/11




Market inventory per breeding inventory
top 6 states in total inventory - 9/1/11
Mkt inventory per Breeding Inventory
20
18
16
14
12
10
8
6
4
2
0
3/1/88
3/1/89
3/1/90
3/1/91
3/1/92
3/1/93
3/1/94
3/1/95
3/1/96
3/1/97
3/1/98
3/1/99
3/1/00
3/1/01
3/1/02
3/1/03
3/1/04
3/1/05
3/1/06
3/1/07
3/1/08
3/1/09
3/1/10
3/1/11
USDA Report
IL
In
Ia
Mn
NC
Ne
US


Pig per litter
USDA Hogs and Pigs Report
Pigs
11.00
10.75
10.50
10.25
10.00
9.75
9.50
9.25
9.00
8.75
8.50
8.25
8.00
Dec, 01
Jun, 02
Dec, 02
Jun, 03
Dec, 03
Jun, 04
Dec, 04
Jun, 05
Dec, 05
Jun, 06
Dec, 06
Jun, 07
Dec, 07
Jun, 08
Dec, 08
Jun, 09
Dec, 09
Jun, 10
Dec, 10
Jun, 11
Month
10.04
y = 0.0107x + 8.623
R² = 0.9239
0.128 pigs/litter/yr increase


Canadian Swine Inventory
Breeding herd
Kept for Mkt
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
Breeding herd (000)
15,000
13,000
11,000
9,000
7,000
5,000
Kept for Mkt (000)
10,502
1,308
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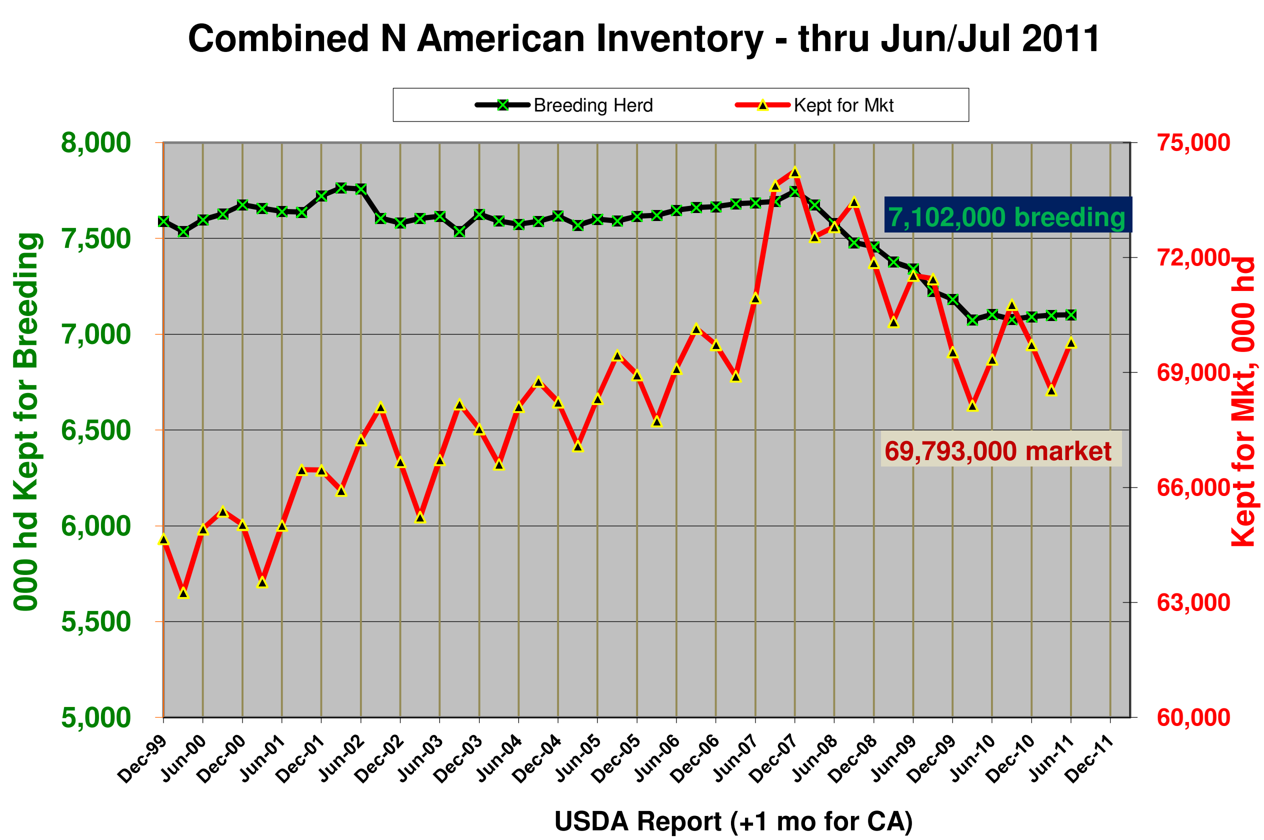
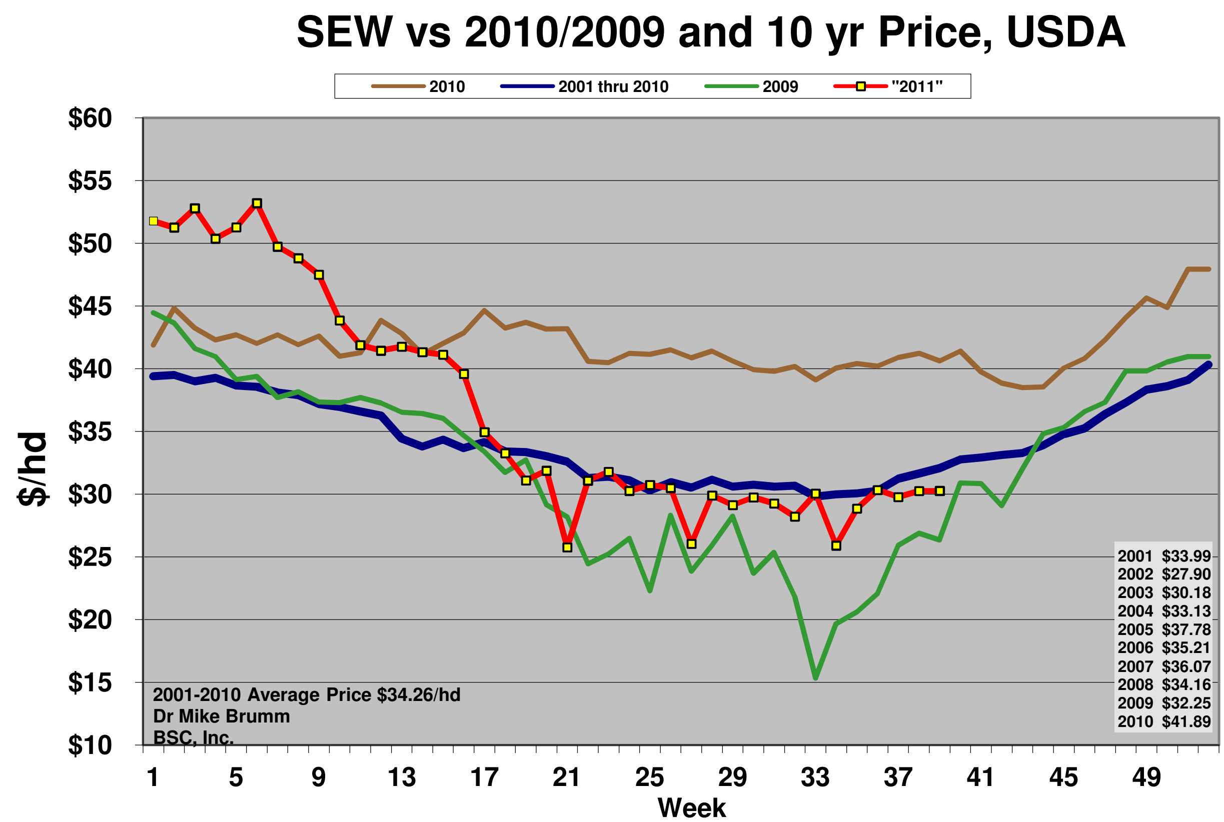
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Report


Combined N American Inventory - thru Jun/Jul 2011
Breeding Herd
Kept for Mkt
8,000
7,500
7,000
6,500
6,000
5,500
5,000
000 hd Kept for Breeding
75,000
72,000
69,000
66,000
63,000
60,000
Kept for Mkt, 000 hd
7,102,000 breeding
69,793,000 market
Dec-99
Jun-00
Dec-00
Jun-01
Dec-01
Jun-02
Dec-02
Jun-03
Dec-03
Jun-04
Dec-04
Jun-05
Dec-05
Jun-06
Dec-06
Jun-07
Dec-07
Jun-08
Dec-08
Jun-09
Dec-09
Jun-10
Dec-10
Jun-11
Dec-11
USDA Report (+1 mo for CA)


SEW vs 2010/2009 and 10 yr Price, USDA
2010
2001 thru 2010
2009
"2011"
$/hd
$60
$55
$50
$45
$40
$35
$30
$25
$20
$15
$10
Week
2001-2010 Average Price $34.26/hd
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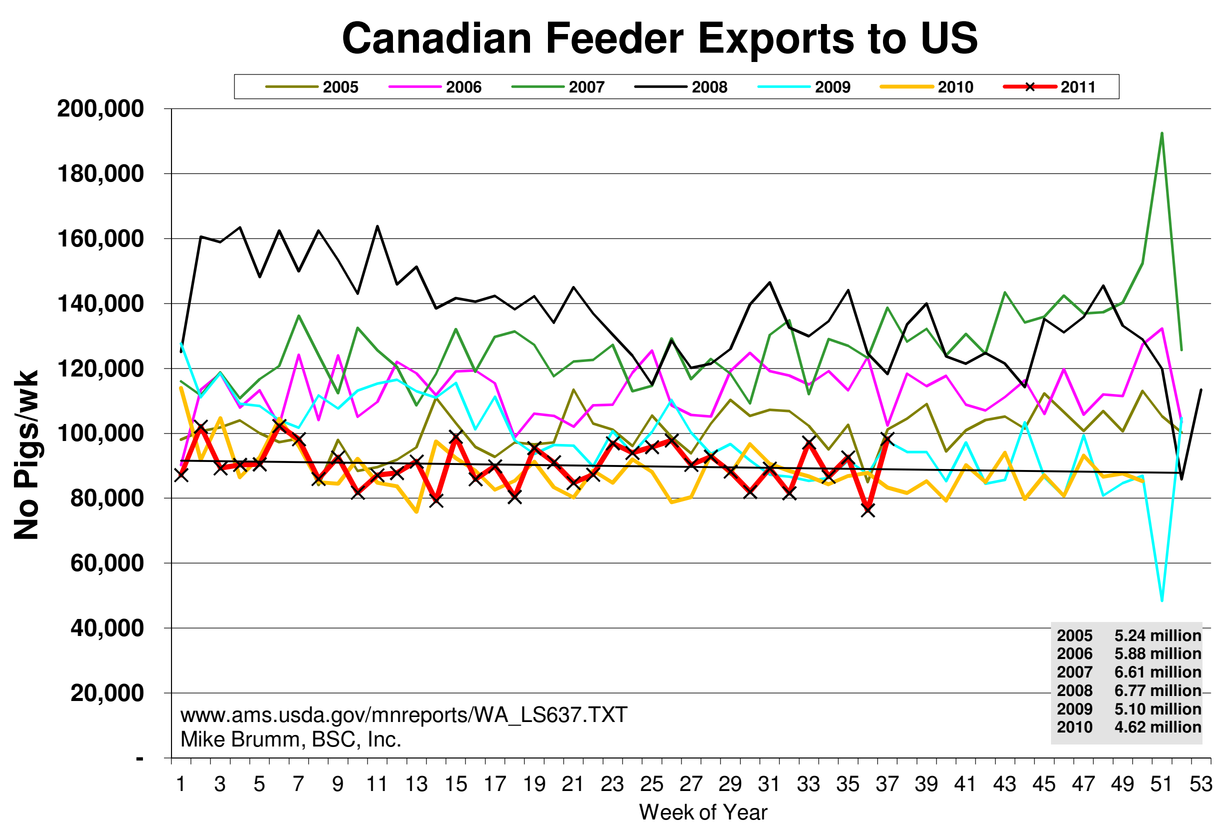
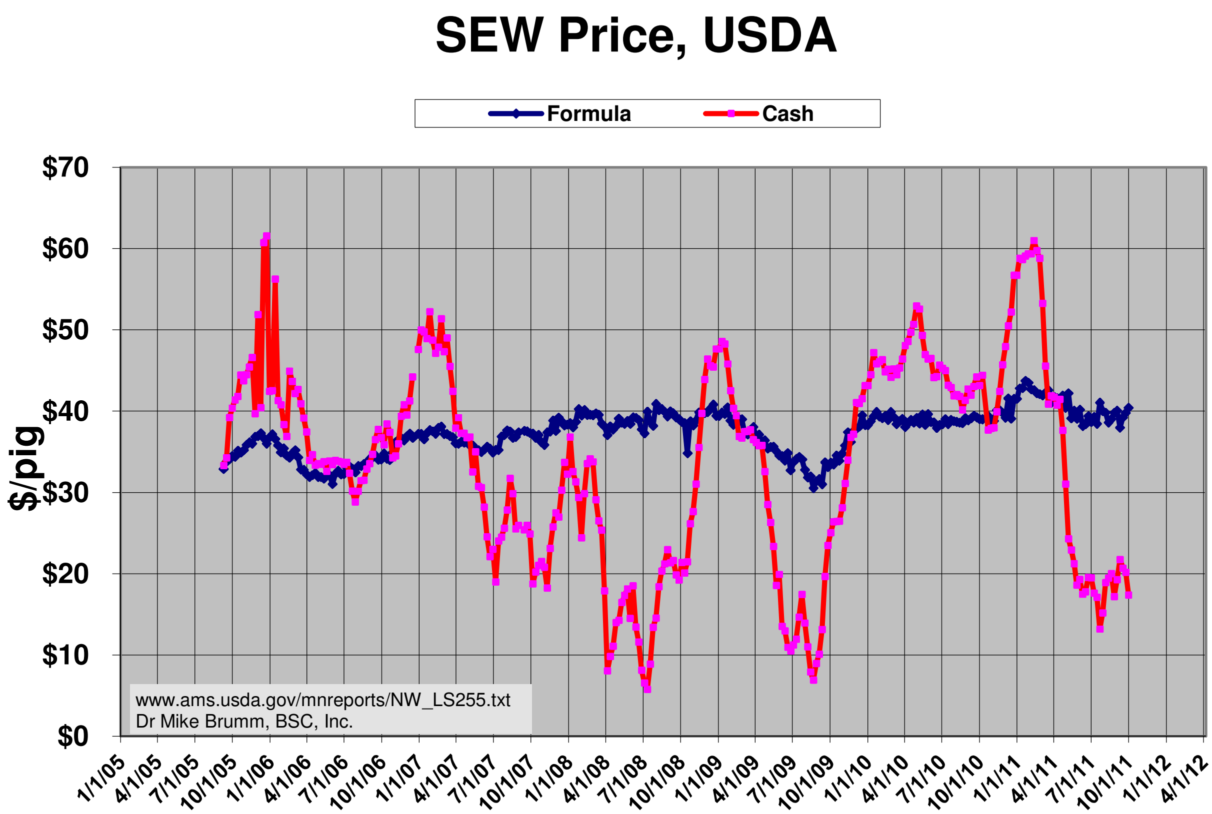
2001 $33.99
2002 $27.90
2003 $30.18
2004 $33.13
2005 $37.78
2006 $35.21
2007 $36.07
2008 $34.16
2009 $32.25
2010 $41.89


Canadian Feeder Exports to US
2005
2006
2007
2008
2009
2010
2011
No Pigs/wk
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
Week of Year
www.ams.usda.gov/mnreports/WA_LS637.TXT
Mike Brumm, BSC, Inc.
2005 5.24 million
2006 5.88 million
2007 6.61 million
2008 6.77 million
2009 5.10 million
2010 4.62 million


SEW Price, USDA
Formula
Cash
$70
$60
$50
$40
$30
$20
$10
$0
$/pig
www.ams.usda.gov/mnreports/NW_LS255.txt
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1/1/05
4/1/05
7/1/05
10/1/05
1/1/06
4/1/06
7/1/06
10/1/06
1/1/07
4/1/07
7/1/07
10/1/07
1/1/08
4/1/08
7/1/08
10/1/08
1/1/09
4/1/09
7/1/09
10/1/09
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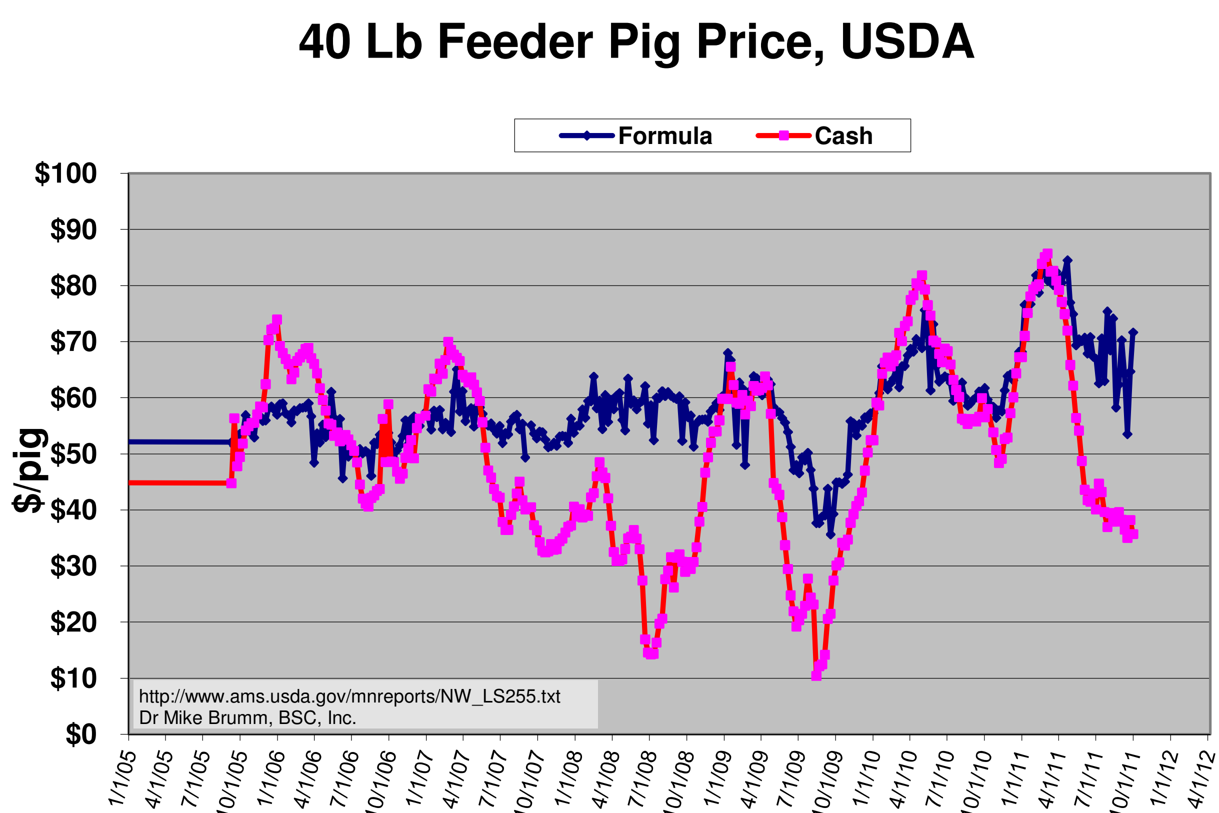
1/1/12
4/1/12


40 Lb Feeder Pig Price, USDA
Formula
Cash
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
$/pig
http://www.ams.usda.gov/mnreports/NW_LS255.txt
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1/1/05
4/1/05
7/1/05
10/1/05
1/1/06
4/1/06
7/1/06
10/1/06
1/1/07
4/1/07
7/1/07
10/1/07
1/1/08
4/1/08
7/1/08
10/1/08
1/1/09
4/1/09
7/1/09
10/1/09
1/1/10
4/1/10
7/1/10
10/1/10
1/1/11
4/1/11
7/1/11
10/1/11
1/1/12
4/1/12

IA-SMN Liveweight at Slaughter