IOWA STATE UNIVERSITY
University Extension

Iowa Farm Outlook

Department of Economics
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June 2010 Hog and Pig Report Summary

The second quarter of 2010 was a healing period of many hog producers. Hog prices were up from lower supplies and strong demand in both domestic and foreign markets. Retraction in the swine industry over the past year was very evident in the past quarter, and the outlook for the rest of the year suggests continued tightening in the pork supplies. The June Hog and Pig Report released June 25, 2010, reports the mid year swine inventories.

The US swine breeding herd now numbers 5.79 million head, down 3.0 percent from last year. Market hog numbers are down 3.7 percent to 58.61 million head. Total hog numbers are down 3.6 percent from a year ago at 64.4 million head. Farrowing intentions are down more than 2 percent for the next quarter, but are down only a half percent in the fourth quarter, indicating that sow reduction is leveling off. Third and fourth quarter hog supplies will be down more than 3 percent. Pig supplies continue to be impacted by the ever increasing size of litters which are 2 percent larger than a year ago. Table 1 summarizes the recent swine report for national and Iowa inventories.

Table 1. June 1, 2010 and Hog and Pig Report

	US		Iowa	
	Million Hd.	% chg.	Million Hd.	% chg.
All Hogs	64.40	-3.6%	18.90	-4.5%
Breeding Herd	5.79	-3.0%	1.01	-1.0%
Market Hogs	58.61	-3.7%	17.89	-4.7%
Under 50	18.88	-3.5%	4.49	-7.4%
50 - 119	16.88	-5.4%	5.71	-4.5%
120 - 179	12.28	-2.6%	4.44	-2.0%
180 & over	10.58	-2.5%	3.25	-5.0%
Sows farrowing				
Jun-Aug	2.89	-2.3%	0.47	-1.1%
Sep-Nov	2.90	-0.5%	0.48	-1.0%
Pig Crop				
Dec-Feb	28.55	-2.3%	4.80	-0.9%
Mar-May	28.20	-2.8%	4.58	-4.2%
Pigs per litter	9.81	2.1%	9.95	3.1%

In Iowa, the reduction in sow numbers has not been as pronounced this year compared to past, with only a 1 percent reduction in sow numbers. Iowa now has 1 million breeding swine in the state. Iowa farrowing intentions are down 1 percent for the next two quarters, again indicating that the swine herd reduction is slowing down. The total number of market hogs in the state has decreased nearly 5 percent from a year ago as fewer feeder pigs are available. The decline in the number of feeder pigs (<60lbs.) placed is rather pronounced at 7 percent fewer.

Table 2 contains the ISU and futures market forecast for live hog prices in the next four quarters, along with a forecast for domestic pork supplies. The futures market remains very optimistic for lean hog prices for the duration of the summer, and in comparison to a year ago prices are expected to be dramatically higher. Based on the change in hog supplies, meat supplies and demand from a year ago the price forecast modeling at ISU predicts hog prices to be good but below futures market predictions for the quarter. Pork supply will be down a little more than 3 percent for the rest of the year, but a leveling of in farrowing intentions in the forth quarter suggest that the year over year reduction of the industry may slow to a stall by the second quarter of next year.

Table 2. ISU and Futures Live Hog Price Forecast, Adjusted for Iowa Basis

	% chg in Supply	ISU Forecast $/cwt live	Futures Forecast 6-25-10 $/cwt live
Jul-Sep ‘10	-3.5	53-56	58.99
Oct-Dec ‘10	-3.2	48-51	52.57
Jan-Mar ‘11	-2.0	49-52	52.65
Apr-May ‘11	-0.2	58-61	58.12

Meat demand may be adversely influenced by lackluster economic conditions. While US economic conditions have been mixed to slowly improving in the first half of the year, some analysts are suggesting that any further economic growth will be even slower for the duration of the year. One indicator of the uncertain times ahead is a recent dip in the restaurant performance index fell below 100 again in May. Early spring hopes were that the restaurant industry was recovering along with consumer confidence. Now that confidence is not so certain.

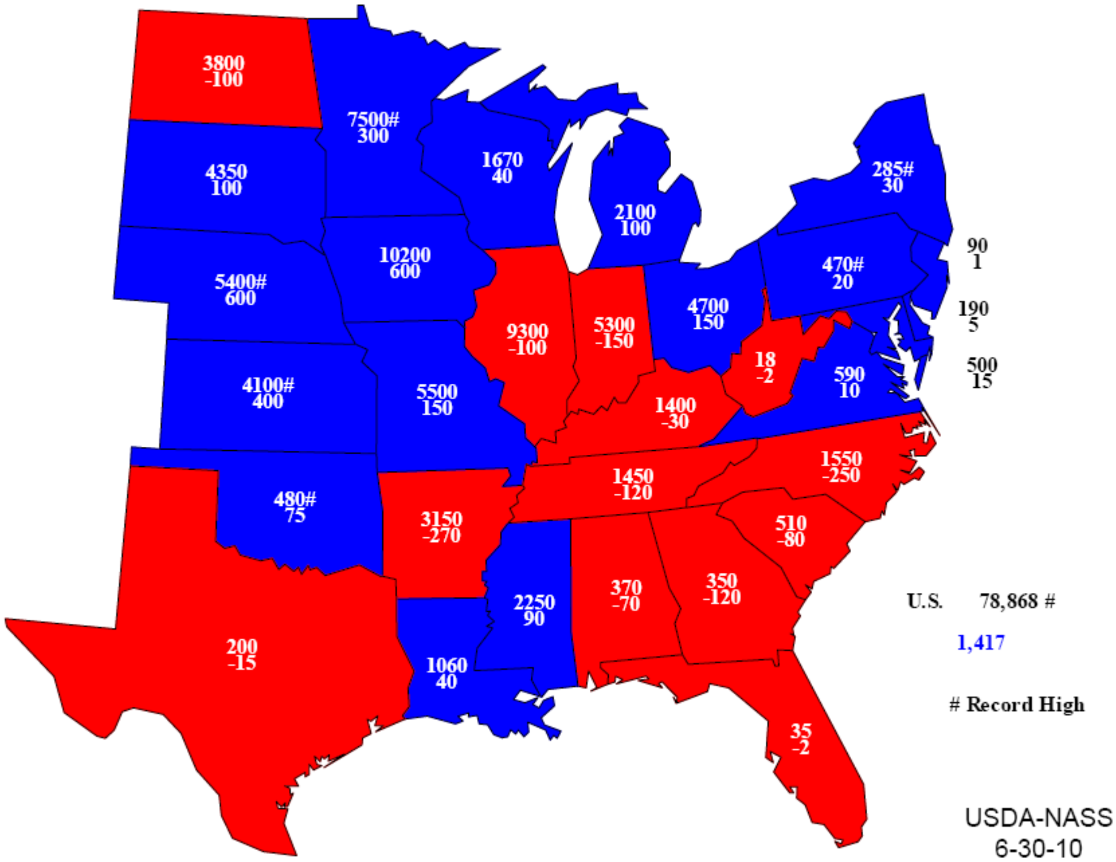
Some of our foreign trade partners have their own economic recessionary issues, which could impact pork exports. Pork exports for the year are up 1-2% from last year. This is a good sign but weaker than initially expected at the beginning of the year. Pork production has been lower but increasing exports is usually a preferred method of removing supply from the domestic market. Lighter supplies are helping support prices, but strong general economic conditions will be needed for a general price improvement.

Shane Ellis

Some Bullish News from USDA

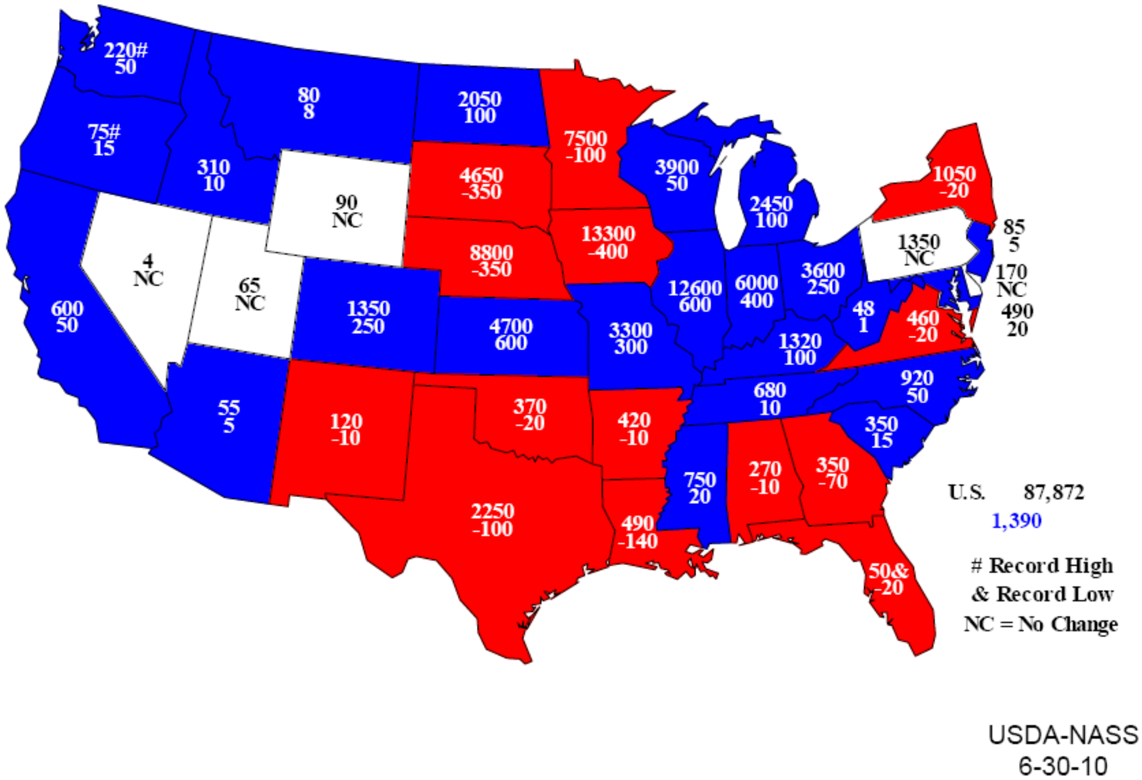
Acreage and stocks reports came out this morning and the news was positive for corn and mixed for soybeans. U.S. producers have planted another record amount to soybeans and the acreage total exceeds the March intentions. With the June report, USDA found 78.87 million acres of soybeans. That’s 1.4 million more than last year’s record level and 0.8 million more than was indicated in March. Iowa and Nebraska led the charge to soybean with each state adding 600,000 acres. Kansas and Minnesota also increased soybean area by at least 300,000 acres. The south and southeast is the region where soybeans lost ground, with Arkansas and North Carolina reducing soybean plantings by 250,000 acres or more. Comparing the state-level acreage numbers to their March intentions, 9 states had lower soybean plantings, 4 held steady, and 18 increased soybean area. Iowa, Minnesota, and Nebraska had the biggest shifts to soybeans between March and June, with each adding at least 300,000 acres. Illinois, Indiana, and North Dakota had the largest declines between March and June. Soybeans continue to expand into the Great Plains as Nebraska, Kansas, and Oklahoma set soybean planting records as well. Soybeans also continue to expand into the Northeast. New York and Pennsylvania set records for soybean planting.

Figure 1. Soybean plantings and changes from last year in 1,000 acres (Source: USDA-NASS)



Corn acreage for 2010 is at 87.87 million acres, up 1.4 million as well. But that is lower than the March intention of 88.80 million. Illinois, Indiana, and Kansas each added at least 400,000 acres. Iowa, Nebraska, and South Dakota each reduced corn plantings by at least 350,000 acres. Compared to the March intentions, 20 states had lower corn plantings, 16 held steady, and 12 increased corn area. Indiana was the only state where the June plantings exceeded the March intentions by more than 100,000 acres. Five states (Nebraska, South Dakota, Iowa, Minnesota, and Ohio) had plantings reduced at least 100,000 acres from intentions. Record corn area was recorded in Washington and Oregon. Meanwhile, Florida has set a record low for corn plantings. The surveys for the acreage report were taken during the 1st two weeks of June. Given the extremely wet conditions we have seen over the month of June, we will likely see some additional adjustments in the acreage estimates, especially harvested area, as we move through the crop year to account for flooded out fields and replanting.

Figure 2. Corn plantings and changes from last year in 1,000 acres (Source: USDA-NASS)



Grain Stocks

In the stocks report, corn stocks at the beginning of June were 4.31 billion bushels. That's 1% higher than last year. On-farm stocks are down 3%, while off-farm stocks are up 6%. The main positive note for corn in the stocks report was the disappearance level over the March-May quarter as 3.38 billion bushels were removed from stocks. Last year, 2.69 billion bushels disappeared from stocks during the quarter. Ethanol usage and export demand have helped pull corn stock levels down during the quarter. In March, corn stocks were 730 million bushels higher year-to-year. By June, the difference has fallen to 50 million. In Iowa, corn stocks are 17 million bushels lower than this time last year. Most of the additional corn in stocks is being held states that form the borders of the Corn Belt (Nebraska, Missouri, Ohio, etc.).

Soybean stocks at the beginning of June were 571 million bushels, down 4% from last year. The stock shifts for soybean are in the opposite directions from corn as on-farm stocks are up 3% and off-farm stocks are down 9%. Soybean disappearance for the quarter is at 699 million bushels, down 1% from last year. As the early pace of soybean exports has cooled off, soybean stock drawdown has slowed. Iowa soybean stocks are down over 8% from last year. Another feature to watch over the coming months is the level of wheat stocks. Currently, wheat holdings are 48% higher than last year. Since the stock lows of 2007/08, wheat supplies have been building up in the U.S. and the June stocks number is the highest since 2000. The availability of large quantities of relatively inexpensive wheat, combined with increasing quantities of distillers grains, will impact the feed markets over the next several months.

Market Thoughts

The trade was expecting corn plantings around 89 million acres and soybean plantings about 78.3 million acres, so the acreage numbers are bullish for corn and bearish for soybeans. But with the wet weather throughout June, the market will likely discount the soybean acreage number. Combined, corn and soybeans added 2.8 million acres this year, continuing the trend of growth for these crops while other crops give up ground. The stocks levels for corn and soybeans are both below trade expectations. The combination should bring some support to price levels today as the carryout, especially for corn, both this year and next year looks significantly lower after these reports. Demand continues to be strong enough to keep stocks in check despite the large crops we have had and are projected to continue to have.

Chad Hart

May Milk Production Up 1.3%, April Revised Up 0.1%

May 2010 23 major dairy states milk production increased 1.3%. Production per cow was up by 55 pounds from one year ago. Milk cow numbers were 143,000 less than May 10 but 4000 more than April 2010. March 10 milk production was revised up 0.1%, an increase of 9 million pounds.

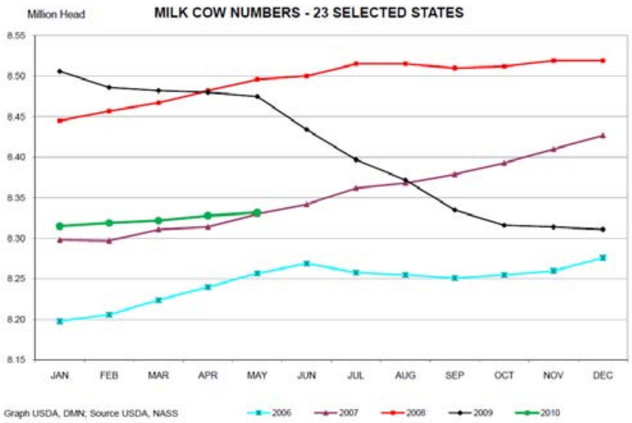
Iowa April 10 milk production was 0.6% higher compared to one year ago. Cow numbers were 3000 less compared to one year ago and milk production per cow was 35 pounds higher than one year ago.

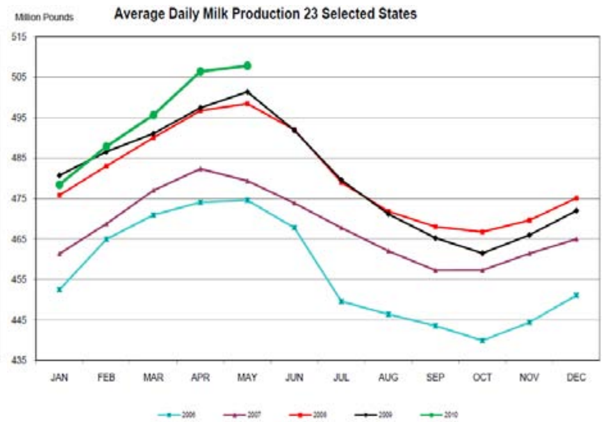
Milk Production: Selected Dairy States, May 2010

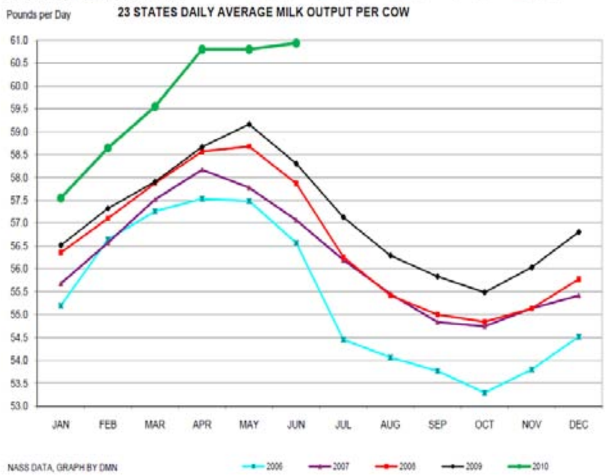
State	thousands 2009 cow numbers	thousands 2010 cow numbers	% change cow numbers	pounds 2009 milk per cow	pounds 2010 milk per cow	% change milk/cow	million pounds 2009 total milk production	million pounds 2010 total milk production	% change total milk
Iowa	215	212	-1.40%	1785	1820	1.96%	384	386	0.54%
MN	469	470	0.21%	1680	1740	3.57%	788	818	3.79%
WI	1256	1261	0.40%	1745	1840	5.44%	2192	2320	5.86%
IL	102	101	-0.98%	1670	1720	2.99%	170	174	1.98%
CA	1815	1750	-3.58%	1935	2010	3.88%	3512	3518	0.16%
CO	128	117	-8.59%	2000	2050	2.50%	256	240	-6.31%
KS	121	116	-4.13%	1835	1860	1.36%	222	216	-2.83%
ID	553	557	0.72%	1910	1930	1.05%	1056	1075	1.78%
AZ	184	172	-6.52%	2055	2170	5.60%	378	373	-1.29%
NM	332	324	-2.41%	2145	2160	0.70%	712	700	-1.73%
PA	547	541	-1.10%	1710	1750	2.34%	935	947	1.22%
NY	623	610	-2.09%	1820	1850	1.65%	1134	1129	-0.47%
TX	430	410	-4.65%	1835	1880	2.45%	789	771	-2.31%
23-State	8475	8332	-1.69%	1834	1889	3.00%	15543	15739	1.26%
US 1st quarter	9331	9090	-2.58%				46735	46265	-1.01%

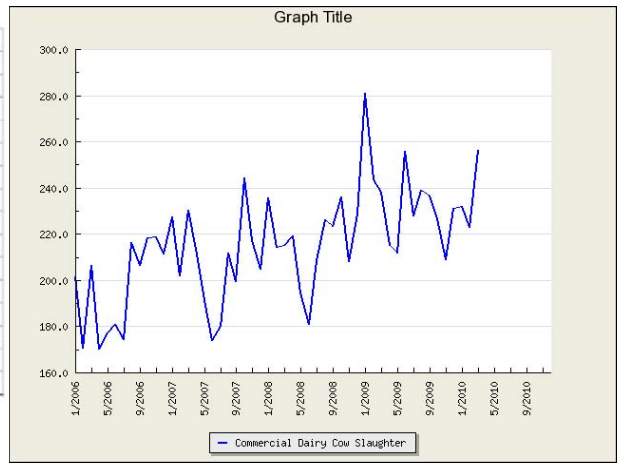
Of the 23 dairy states, Mo had the largest decline in milk production again, -7.5%; they lost cows and only gained 10 pounds milk per cow. The second largest milk drop was CO with -6.3% due to 9000 less cows. WI had 5000 more cows and 95 pounds more milk per cow for a 6.2% total milk increase which was the largest milk increase.

The 2009 Annual Milk production analysis made by Progressive Dairyman puts Iowa milk per operation in 29th place, $305,835. That is down $1011 per cow from 2008. Iowa milk production was 1.39% higher in 2009 than 2008. Nebraska was ranked 18th in milk value per operation, $565,621. That is $886 less than 2008. Nebraska milk production was up 11.08% from 2008. 1.203 billion pounds of milk were produced in NE during 2009.









Source: Dairy Market News Source: Dairy Market News
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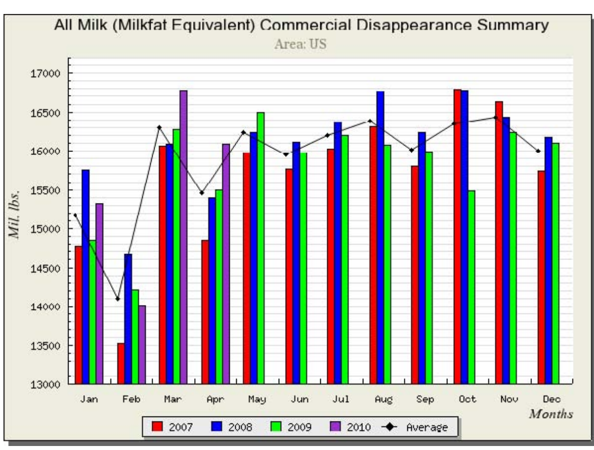
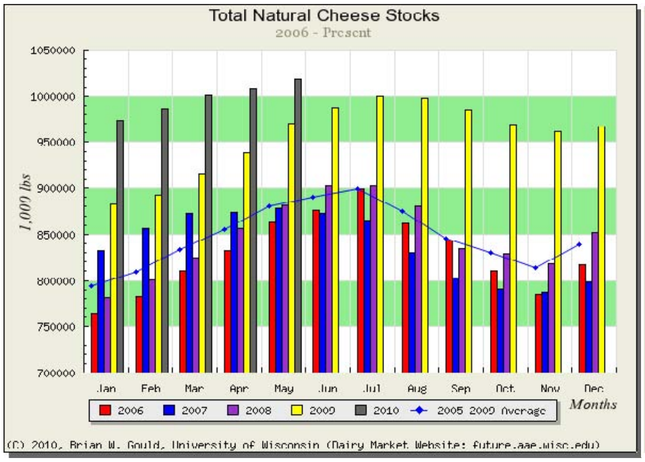
USDA's "Livestock Slaughter" report said dairy producers sent 209,100 dairy cows to slaughter during May 2010, less than April 2010. During the first 5 months of 2010 total culling is 2.9% below the same period one year ago. So far June culling is less than one year ago when a CWT retirement was underway.

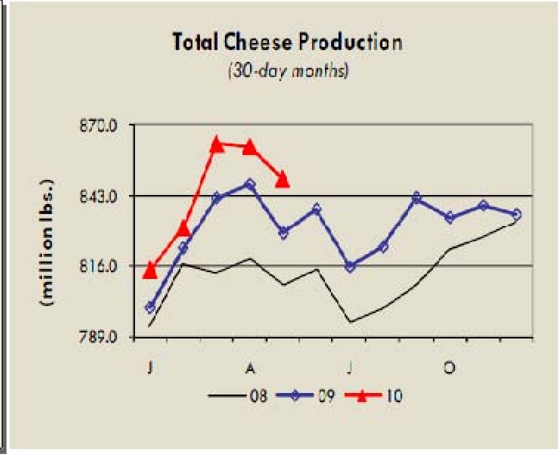
Demand or Disappearance
Fluid milk demand continues to weaken. YTD fluid milk consumption is off by 0.9% compared to one year ago, 0.3% more than the previous report. April 10 fluid milk consumption was -1.6% from April 09 and -0.9% year to date. Jan 10-April 10 total commercial disappearance is up 1.7%, much improved compared to last month's report. Total fluid milk sales include organic milk. Total Organic milk product sales are up 10.7% for April and up 4.6% year to date.



Dairy Product Manufacture: May 2010

Product	thousands pounds	May 09 % change	April 10 % change
Butter	139,178	-5.60%	-1.3
Cheese, total	856,100	2.50%	1.8
Cheddar	287,422	-0.40%	5.7
Other American	80,599	2.90%	-5.3
Swiss	27,487	5.00%	1.5
Italian Style	345,905	6.80%	0.08
NDM	150,452	2.60%	1.3
Sour Cream	91,775	-1.80%	1.2
Yogurt	339,917	3.30%	7.5
Dry Whey, total	87,125	2.90%	-1.2
Lactose	71,655	6.30%	3.6
WPC	34,705	3.40%	0.6
Frozen	1000 gal		
Ice cream, regular	80,604	2.00%	4.7
Ice cream, lowfat	36,115	3.30%	-3.3

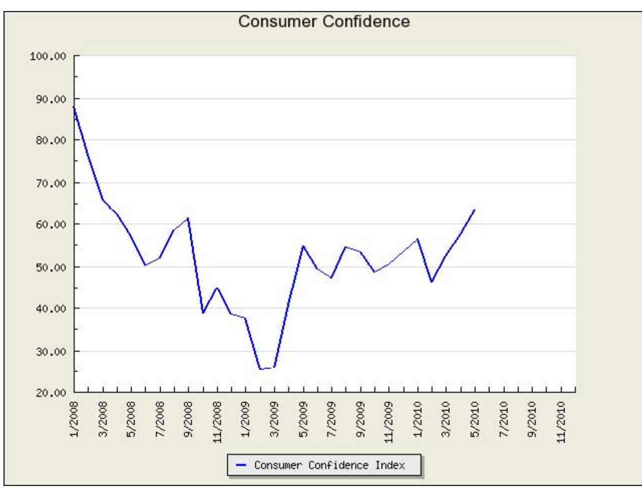


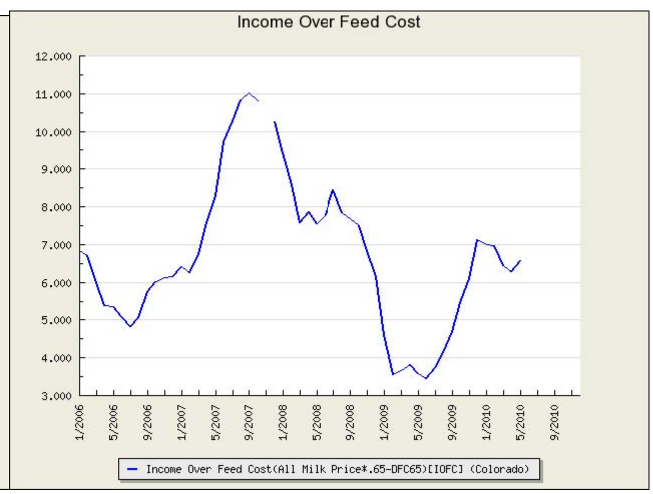


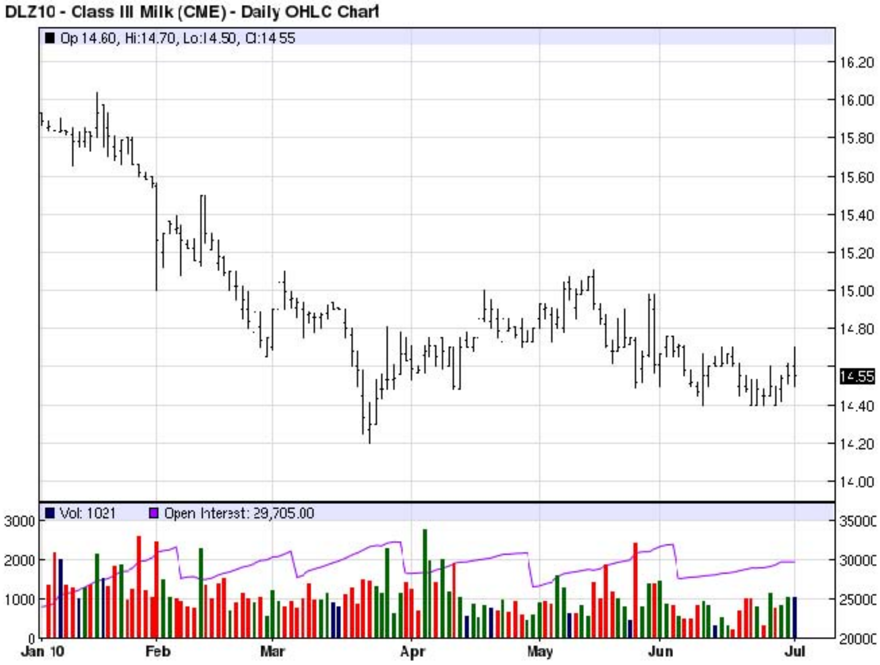
"Cheese stocks have remained large compared to the 5-year average. And at just over 1 billion pounds, the largest inventory since Nov 1984." That was my comment from the last two month's dairy note. And guess what; we have added more cheese when the May stocks report came out. Excellent milk per cow and weaker fluid milk production means more cheese is getting made.

Analysis
USDA's most recent Dairy Outlook continues projections of higher milk production due to moderate feed costs. USDA also describes slowing liquidation of the US dairy herd. A large inventory of dairy heifers are being freshened and with lower feed prices milk per cow will increase. It is projected to increase by 2% for 2010.

USDA projects commercial disappearance by 1.2% for 2010 and 1.5% for 2011. They believe domestic cheese use will increase for the last half of 2010 and during 2011. USDA does expect some increase in milk price over the next few months. Based on their projected cheese prices, Class III prices for 2011 may average near $15. That does not help in the short run where Dec 2010 Class III futures prices are closing around $14.50.







Source: Understanding Dairy Markets, U of WI Source: Understanding Dairy Markets, U of WI
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