LINN GROUP
EXECUTION - RESEARCH
141 W. JACKSON BLVD. 1220A CHICAGO, IL 60604
CONSULTING - ASSET MANAGEMENT
LINN GROUP

Recap of the June 2010 Quarterly Hogs and Pigs Report
By John Ginzel

The June, 2010 All Hogs and Pigs Inventory was below the trade's pre-report expectations. The weight groups within the Market Hog Inventory reported a very small 50-119# kinds, at 95% of the prior year. If hog slaughter for the late summer and early fall months are reduced as suggested by the Market Inventory, this is seen as supportive for Lean Hog futures in the last half of 2010.

Today's announcement that Russia was relaxing their embargo against U.S. Chicken imports is also seen as supportive for domestic Pork prices in coming months. It will depend upon how rapidly U.S. chicken begins flowing into export channels and tightens the overall meat supply picture.

The USDA June, 2010 Quarterly Hogs and Pigs report was released June 25th.

	2009	2010	% Yr/Yr
	--- thousand head ---		
All Hogs and Pigs	66,809	64,400	96 %
Kept for Breeding	5,968	5,788 .	97 %
Market Hogs	60,842	58,612	96 %
Under 50#	19,554	18,879	97 %
50-119#	17,838	16,877	95 %
120-179#	12,604	12,279	97 %
180# Up	10,847	10,578	98 %
Farrowings Mar-May	3,018	2,875	95 %
Intentions* Jun-Aug	2,915	2,890	98 % I*
Intentions** Sep-Nov	2,974	2,899	99 % I**
Pig Crop Mar-May	29,012	28,199	97 %
Pigs / **Litter**	9.61	9.81	102 %

The All Hogs and Pigs inventory at 64.4 million head, 96% of year earlier, was somewhat below the trade's pre-report expectations. Kept for Breeding Hog Inventory at 5.788 million head, at 97% of year earlier inventory, was near the trade's expectations. Market hog inventory reported at 58.612 million head, 96% of last year, was a bit below expectations. This report will likely be supportive for Lean Hog future prices for the last half of this year and portends continued tighter pork supplies.

The Market hog inventory continues to be well below a year earlier at 96%. The Market hog weight breakdowns are showing an unusually small inventory of 50-119 pound kinds at 95% of the prior year's inventory. Whereas, the heavy weight market hog inventory, hogs weighing over 180 pounds, were reported at 98% of the prior year showed the smallest year-over-year reduction. The other two weight classes of market hogs were reported at 97% of last year's inventory.

We find it unusual the 50-119 market hog inventory was so reduced relative to last year. If this is an accurate reflection of the market hog inventory, late summer and early fall hog slaughter would be tightest. This portends the last summer and early fall Lean Hog futures would be supported the most by tightened pork supplies.

Pigs / Litter continued trending higher during May-May 2010, reported at record high levels of 9.81 Pigs / Litter, at 102% of year earlier levels. Despite a worse than usual winter and low quality feeds for livestock, the Pigs / Litter continued trending higher at a robust rate.

March – May 2010 Farrowings at 2.875 million head, 95% of the prior year, was smaller than the trade's pre-report expectations. Farrowings intentions for Jun-Aug were reported to be 98% of the previous year and Sep-Nov intentions at 99% were in line with or slightly above trade expectations. We feel there are early signs hog producers are starting the expansion process, since Farrowings intentions are showing less year-over-year contraction ahead. We anticipate the deferred Dec-Feb 2011 Farrowings intentions in the Sept Hogs & Pigs report has a high probability to show unchanged or year-over-year expansion.

By John Ginzel