

# 2010 Production Forecast Lowered By 100 Million Pounds



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## outlook

**A**pril 8 was the last slaughter day at the John Morrell plant in Sioux City, Iowa. Smithfield Foods, the parent company, had announced plans in January to close the 51 year old plant on April 20. They are stopping slaughter early, but workers will be paid until the 20th. The plant has a slaughter capacity of approximately 14,000 hogs per day which is a bit over 3 percent of the nation's total. U.S. hog packers processed 116.45 million hogs in 2008. This year's hog slaughter is expected to be below 111 million head (down roughly 5 percent from 2008), so there is surplus slaughter capacity even without the Sioux City plant.

The closure of Sioux City may narrow the east-west price spread which has been very wide in recent days. Last Friday, the average negotiated price in the western corn belt was \$7.27/cwt higher than in the eastern corn belt. The spread has been above \$3 six days in the last two weeks.

USDA has lowered their forecast of 2010 pork production by 100 million pounds following the March hogs and pigs report and raised their forecast of 2010 price by \$3/cwt live. The higher expected price has caused them to lower that forecast of pork exports.

Both cash hogs and lean hog futures ended the week higher, driven in part by a surge in

the cutout value. USDA's Thursday afternoon calculated pork cutout value was \$79.31/cwt, up \$5.17 from the previous Thursday, and up \$20.37 compared to the same day last year. Loins, hams and pork bellies were all more than \$5 higher this week.

The national weighted average carcass price for negotiated hogs Friday morning was \$73.69/cwt, \$2.32 higher than the previous Friday. Regional average prices on Friday morning were: eastern corn belt \$72.69, western corn belt \$75.12 and Iowa-Minnesota \$75.14/cwt. The top hog price Friday at Sioux Falls was \$53/cwt, up \$2 from the previous Friday. Zumbrota, MN had a top price of \$52 on Friday and Peoria topped at \$51/cwt. The interior Missouri live top Friday was \$52/cwt, \$3.75 higher than the previous Friday.

The April lean hog futures contract ended the week at \$76.22/cwt, up \$2.10 from the previous Friday. The May contract settled at \$83.87, up \$2.15 for the week. June closed the week \$1.00 higher at \$84.37/cwt and July ended the week \$84.57/cwt.

Because of Easter Monday, hog slaughter was light this week. This week's hog slaughter totaled 2.012 million head, down 7.3 percent from the week before, and down 5.4 percent compared to the same week last year. Year-to-date pork production is down 5 percent.

The average carcass weight of barrows and gilts slaughtered the week ending March 27 was 201 pounds, unchanged from the week before and down 1 pound from the same week last year. Iowa-Minnesota live weights last week averaged 270.2 pounds, up 1.1 pounds compared to a year earlier.  $\Delta$

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