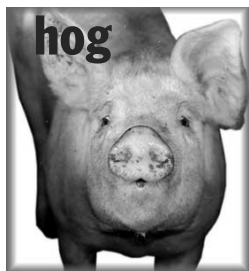


2010 Was Most Profitable Year Since 2005



GLENN GRIMES AND RON PLAIN
Agricultural Economists •
University of Missouri

outlook

According to John Lawrence's calculations at Iowa State University, the average Iowa farrow to finish operation had seven profitable months (March-September) and five unprofitable months in 2010. Fortunately, the good months easily outweighed the bad ones and the average profit for the year was \$12.94 per hog, making 2010 the first profitable year since 2007 and the most profitable year since 2005.

Dr Lawrence estimates the average cost of production for barrows and gilts in 2010 was \$52.07 per hundred pounds of live weight. That was the third highest annual cost ever after 2008 and 2009. The worrisome note is that the cost of production increased in each of the last five months and ended the year at \$56.82/cwt in December, the highest cost month since October 2008. It appears likely that 2011 cost of production for barrows and gilts will exceed \$60/cwt (\$80/cwt of carcass weight).

Hog prices ended this week higher compared to the week before. The national weighted average carcass price for negotiated hogs Friday morning was \$79.41/cwt, up \$5.17 from the previous week. The average carcass price this morning in the eastern corn belt was \$79.89/cwt. The western corn belt and Iowa-Minnesota both averaged \$78.33/cwt this morning. The top live hog price Friday at Sioux Falls was \$54/cwt. The top at Zumbrota was \$52 and Peoria's top was also \$52/cwt. The in-

terior Missouri live top Friday was \$52.75/cwt, up \$2.25 from the previous Friday.

USDA's Thursday afternoon calculated pork cutout value was \$87.69/cwt, up \$1.74 from the previous Thursday and the highest for any date since October 1. Hams, butts and bellies were higher, loins lower. The key question for pork demand is how much volume will fall when these higher pork prices reach the grocery store meat case.

The average carcass weight of barrows and gilts slaughtered the week ending January 15 was 207 pounds, unchanged from the previous week and 6 pounds heavier than a year ago. Iowa-Minnesota live weights for barrows and gilts last week averaged 274.3 pounds, down 0.5 pound from the week before, but up 4.4 pounds compared to a year earlier. Since early October, barrow and gilt carcass weights have averaged 2.4 percent above the year-earlier level.

Hog slaughter totaled 2.179 million head this week, up 0.6 percent from the week before and up 1.8 percent compared to the same week last year. Although hog slaughter has been below year ago for three of the last seven weeks, because of heavier weights weekly pork production as not been below year-ago since early October.

The February lean hog futures contract ended the week at \$87.75/cwt, up \$7.43 cents from the previous Friday. The April contract ended the week at \$91.62/cwt and June hogs settled at \$99.42. The highest close ever for a lean hog futures contract was \$100.20 for the June 2009 on July 3, 2008.

March corn futures ended the week at \$6.44/bushel, down 13 cents from the previous Friday. Δ

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