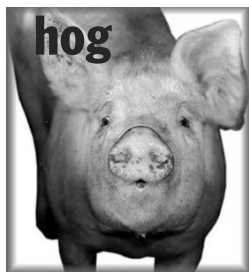


# 2012 Worst Financial Year For Hog Production



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## outlook

Iowa State University calculations estimate the average cost of production for market hogs slaughtered in December was \$73.96/cwt of live weight. This was record high for the fifth consecutive month. For all of 2012, the average hog breakeven price, \$68.16/cwt of live weight, was record high for the second consecutive year. The average market hog sales revenue fell \$31.54 per head short of production cost during December. This was the fifth consecutive month with red ink. For all of last year, the average market hog lost \$12.47 per head making 2012 the worst year financially since 2009.

There is more seasonal fluctuation in hog prices than there is in production cost. ISU calculations say that on average over the last 10 years, hogs marketed in April through September have been profitable and hogs marketed in October through March have not. Over the past decade, June has been the most profitable month and November the least profitable one.

The amount of pork in cold storage at the end of 2012 was 554.4 million pounds. That was down 0.8 percent from the end of November but up 14.4 percent from a year earlier. Large stocks of frozen pork used to correlate with soft demand or over production. In recent years,

pork in cold storage has correlated somewhat with pork exports, i.e pork being accumulated for export shipment may be showing up in the cold storage numbers.

The national average negotiated carcass price for direct delivered hogs on the morning report today was \$83.32/cwt, up \$2.97 from last Friday. The eastern corn belt this morning was \$2.35 higher than last Friday at \$82.19/cwt. The western corn belt averaged \$86.38 on the morning price report and Iowa-Minnesota averaged \$86.49/cwt on early morning sales today.

Both Peoria and Zumbrota had a live top of \$58/cwt on Friday. The top for interior Missouri live hogs Friday was \$59.25/cwt, up 75 cents from the previous Friday.

Thursday afternoon's calculated pork cutout value was \$84.70/cwt, up 82 cents from the previous Thursday. Ham and belly prices were higher but loins and butts were lower. The pork cutout value is \$1.41 per hundred pounds higher than a year ago. The national average hog carcass price this morning is 98.4 percent of the cutout value.

Hog slaughter this week totaled 2.159 million head, down 2.9 percent from last week, but up 0.2 percent compared to the same week last year.

The average barrow and gilt live weight in Iowa-Minnesota last week was 275.0 pounds, down 1.5 pounds from a week earlier and down 0.4 pound from a year ago.

Friday's close for the February lean hog futures contract was \$86.82/cwt, up \$1.47 from the previous Friday. April hog futures ended the week 85 cents higher at \$88.92/cwt. May hogs settled at \$96.35/cwt; June hogs at \$97.07/cwt. Δ

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