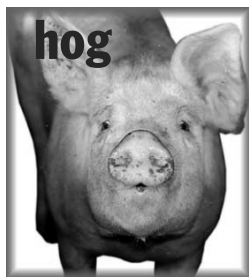


# Breeding Herd Decline Will Not Even Production/Demand



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## outlook

**G**ood news from north of the border: the Canadian breeding herd was down 8.3 percent on October 1, 2008, compared to 2007. Canada also revised the July breeding herd to down 7.4 percent compared to the July estimate, which was down 4.6 percent.

The combined U.S. breeding herd September 1 and Canadian breeding herd on October 1 was down 3.7 percent from a year earlier.

A good start but with productivity growth, it is not nearly enough decline to get production in line with demand and profitably for producers.

The demand for all meats in July-September was down from a year earlier. Pork for these nine months was down 3.8 percent, beef down 4.1 percent, broilers down 4.2 percent and turkey down 4.1 percent. The demand calculations for poultry for January-August were miscalculated and we showed growth but it was an error.

The demand for live hogs for the first nine months of 2008 was up 8.5 percent and live fed cattle demand was up 1.1 percent. The stronger demand for live animals than consumer demand is due mostly to growth in exports.

The average live weight for barrows and gilts last week in Iowa-Minnesota at 267.2 pounds was up one pound from a week earlier but down 2.5 pounds from a year earlier. The Cornbelt appears to be more current in marketings compared to last year than the country. Barrow and gilt carcass weights for the most recent

data shows carcass weights the same as a year earlier.

The current exchange rate in the U.S. compared to the Canadian dollar shows and eight percent strength in the U.S. dollar compared to the Canadian dollar. This is not good news for U.S. hog producers. However, the Japanese yen has strengthened five percent in the last month compared to the U.S. dollar. This is good news for pork exports to Japan.

Pork product cutout was hit hard this week with the cutout at \$56.80 per cwt of carcass Thursday afternoon down \$5.57 per cwt from a week earlier. Loins at \$77.40 per cwt were down \$7.30 per cwt, Boston butts at \$59.69 per cwt were down \$6.03 per cwt, hams at \$38.46 per cwt were down \$6.59 per cwt and bellies at \$66.69 per cwt were down \$2.54 per cwt compared to seven days earlier.

We are hopefully close to the low for the fall, but we have to get the first week after Thanksgiving behind us before one can get too confident that the fall low has passed.

Live hog prices were pushed \$1.00 - \$3.00 per cwt lower compared to a week earlier on Friday morning. The weighted average carcass prices for negotiated hogs Friday morning were also \$2.42 - \$3.82 lower than seven days earlier.

The top live prices Friday morning for select markets were: Peoria \$34.00 per cwt, Zumbrota, Minnesota, N/A per cwt and interior Missouri \$36.50 per cwt. The weighted average negotiated carcass prices Friday morning were: western Cornbelt \$50.59 per cwt, eastern Cornbelt \$48.94 per cwt, Iowa-Minnesota \$51.18 per cwt and nation \$49.73 per cwt.

Slaughter this week under Federal Inspection was estimated at 2307 thousand head, down for only the second time from a year earlier since May 2007 by 2.2 percent.

Live feeder pig prices this week at United Tel-o-action were \$1-4 per cwt higher than two weeks earlier. The price at United showed 50-60 pound pigs at \$55-73 per cwt. Δ