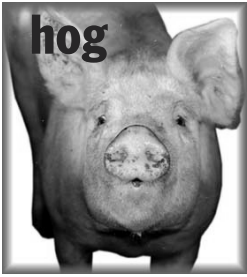


Breeding Herd Reduction Could Trigger Price Leveling



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outlook

Gilt and sow slaughter data continued to show the potential for at least a slow reduction in the breeding herd. We need to reduce the breeding head at least five percent from last years level and it may be we need to reduce as much as 10 percent to get pork supplies in line with demand.

If we can keep demand growth for live hogs growing, the five percent reduction will likely get prices back to the profit level for the average cost produce.

Most of the increase in live hog demand this year is due to export growth. Will it be possible to get much if any growth in 2009 following the big growth in 2008? Growth in 2009 will likely be at a relative slow rate following the big gain of 2008 and 2009 exports may be down from 2008.

Exports for January-July we believe have added \$15.79 per cwt of hogs slaughtered in the first seven months of this year. The total amount per hog slaughter has been \$40.26 per head. This assumes no reduced value compared from years prior to 2008. The total dollar return to the pork industry has been about 2.7 billion dollars in 2008. How much of this growth in income to hog producers can be attributed to the five million plus dollars spent by the pork board for foreign markets development is not easy to calculate but the return per dollar has been big.

Corn price in the futures market dropped to

about \$4.10 per bushel this week. That compared with near \$8 per bushel in June this year. This looks like a buy opportunity for hog producers who do not produce their own feed grain.

The average weight of barrows and gilts live in Iowa-Minnesota last week at 265.9 pounds per head was up 1.3 pounds from a week earlier but down 2.2 pounds from a year earlier.

Pork cutout per cwt of carcass retreated more this week with the cutout on Thursday afternoon at \$68.83 was down \$4.31 per cwt for the week. Loins at \$92.58 per cwt were up \$1.14 per cwt, Boston butts at \$69.58 per cwt were down \$1.55 per cwt, hams at \$57.25 per cwt were down \$11.13 per cwt and bellies at \$75.98 per cwt were down \$6.49 per cwt from seven days earlier.

Live hog prices this Friday morning were \$1.00 to \$2.00 per cwt lower compared to a week earlier. The weighted average negotiated carcass prices Friday morning were \$3.80 to \$5.11 per cwt lower compared to a week earlier.

The top live prices Friday morning for select markets were: Peoria \$43.50 per cwt, Zumbrot, Minnesota, \$47.20 per cwt and interior Missouri \$46.75 per cwt. The weighted average negotiated price Friday morning by area were: western Cornbelt \$63.59 per cwt, eastern Cornbelt \$61.28 per cwt, Iowa-Minnesota \$63.74 per cwt and nation at \$62.20 per cwt.

Slaughter this week under Federal Inspection was estimated at 2375 thousand head up 1.5 percent from a year earlier.

Feeder pig price at United Tel-O-Market was substantially lower this week then two weeks ago. The prices at United were: 40-50 pounds \$47 per cwt, 50-60 pounds \$50.50- 62 per cwt and 60-70 pounds \$43 per cwt.

How much the current financial problems in the US economy are influencing the hog market is not easily measured but is probably due to some of the price decline in recent days. Δ