

Carcass Price Rises Above Cutout Last Week



GLENN GRIMES AND RON PLAIN
Agricultural Economists •
University of Missouri

outlook

A push to line up hogs for Saturday slaughter helped cash hog prices end the week strongly higher than the previous Friday. The top price Friday at Peoria was \$35/cwt. Zumbrota, Minnesota topped at \$38. The interior Missouri top Friday was \$42.25/cwt, up \$3.50 for the week. The national weighted average carcass price Friday morning for negotiated hogs was \$59.40/cwt, \$7.56/cwt higher than the previous Friday. Regional average prices on Friday morning were: eastern corn belt \$56.44, western corn belt \$62.30, and Iowa-Minnesota \$62.08/cwt.

USDA's Thursday afternoon calculated cutout value was \$55.35/cwt, down \$1.22 from the previous Thursday. Pork loins and hams were lower while Boston Butts and bellies were higher than the previous week. We again have the rare situation where the carcass price is above the cutout value. Obviously this is unsustainable. Either cutout has to rise quickly or the hog bid price will soon fall.

Imports of feeder pigs and slaughter hogs from Canada continue to run well below year-ago levels. Based on USDA/APHIS data, during the first

8 weeks of 2009 feeder pig imports were down 36.5 percent, cull sow and boar imports were down 12.3 percent and imports of barrows and gilts for slaughter were down 78.8 percent compared to the same period last year. There appear to be two reasons for the drop in hog imports. First of all, there are fewer hogs in Canada to export. Their January 1 inventory of market hogs was down 10.6 percent and their breeding herd inventory was down 7.1 percent compared to the start of 2008. Secondly, our new country of origin labeling law makes it less attractive to import live animals instead of meat. While U.S. hog slaughter is down thus far in 2009, Canadian hog slaughter is running above year-ago levels. They are going to be a tough competitor in international pork trade.

This week's hog slaughter is estimated by USDA to be 2.228 million head, down 0.15 percent compared to the same week in 2008. During the first 9 weeks of 2009 U.S. hog slaughter has been down 1.0 percent but because of fewer hogs coming south from Canada, slaughter of U.S. raised hogs has been up 1.3 percent.

The average carcass weight of barrows and gilts slaughtered the week ending February 21 was 202 pounds, 2 pounds heavier than for the same week in 2008 for the fourth consecutive week.

The April lean hog futures contract ended the week at \$62.50/cwt, up \$1.60 from last Friday. The May contract settled at \$72.60 today, up \$1.25 for the week. June closed the week at \$73.72/cwt and July closed at \$75.37/cwt. Pork belly futures also ended the week higher than they started it. Δ



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