Demand For Live Hogs In 2007 Was Quite Robust

hog outlook

GLENN GRIMES AND RON PLAIN
Agricultural Economists • University of Missouri

The average price of 51-52 percent lean live hogs for the U.S. at about $47.06 per cwt was only $0.20 per cwt below 2006. The average net carcass price for non-packer sold hogs at about $65.00 per cwt was up over a dollar per cwt from a year earlier. The reason the non-packer sold carcass net price was higher in 2007 than 2006 was due to demand growth, a relatively large number of producers using futures market marketing contracts in 2007, and the window and cost-of-production marketing contracts.

Live hog prices in 2007 were between $5.00 and $7.00 per cwt higher than they would have been without demand growth.

Demand growth for live hogs for the first eleven months of 2007 was quite robust at 3.2 percent. The demand growth at the consumer level was also very good at 2.3 percent growth for January-November from a year earlier.

Pork promotion and pork export enhancement programs probably get much of the credit for this demand growth which resulted in 1.4 to 1.7 billion dollars in gross additional income for hogs sold in 2007 compared to what it would have been with demand at the 2006 level.

The record high hog slaughter for the week of December 22 contributed to pulling the average live weight of barrows and gilts in Iowa-Minnesota down 0.7 pounds per head to 268.5 pounds. This weight was also 0.7 pounds per head below a year earlier. However, average weights are likely to increase for the two holiday-shortened weeks ending January 5. In the last 3 years, average live weights in Iowa-Minnesota have increased 2.7 pounds per head, or one percent, due to reduced marketings because of the Christmas and New Years holidays.

Carcass cut-out on Thursday afternoon at $58.62 per cwt of carcass up $1.01 per cwt from 7 days earlier. Loins at $75.51 per cwt up $2.22 per cwt, Boston butts at $62.33 per cwt down $0.03 per cwt, hams at $40.68 per cwt up $0.48 per cwt and bellies at $73.66 per cwt unchanged from a week earlier.

The top live hog prices Friday morning were $0.50 per cwt lower to $1.00 per cwt higher compared to a week earlier. Weighted average negotiated carcass prices Friday morning were $1.15 to $1.65 per cwt lower compared to 7 days earlier.

The top live prices Friday morning for select markets were: Peoria $30 per cwt, St. Paul $32 per cwt and interior Missouri $32.50 per cwt. The weighted average negotiated carcass price by geographic area were: western Cornbelt $49.33 per cwt, eastern Cornbelt $46.23 per cwt, Iowa-Minnesota $49.17 per cwt and nation $47.65 per cwt.

The Hogs and Pigs report came in a little more bearish than the average of the trade estimates. USDA showed the total hog and pig inventory on December 1 up 4.2 percent. The trade estimate was for an increase of 3.4 percent. The breeding herd estimate showed an increase of 1.1 percent the same as the trade estimates. USDA showed the market herd up 4.5 percent the average of the trade estimates was for a 3.5 percent increase.

Our estimate is for total slaughter in 2008 to be near 113.5 million head. If fourth quarter slaughter is close to farrowing intentions, slaughter in the fourth quarter will be up only about one percent. This number is getting close to the level that could mean not enough slaughter capacity, but unless we lose some of today's capacity, we will likely be able to get by without much of a problem.

Our price estimates and slaughter by quarter can be found in our quarterly Hogs and Pigs Report Summary at http://agebb.missouri.edu/mkt/bull8c.htm.

Slaughter this week under Federal Inspection was estimated at 1,774 thousand head, down 2.2 percent from a year earlier. Δ