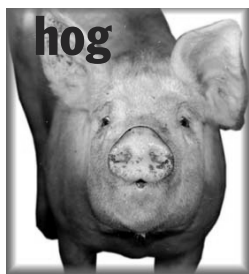


Economics Eat Away At Hog Prices



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outlook

USDA's June hog survey found fewer market hogs than the trade was expecting. Daily hog slaughter this week was lower than implied by the June inventory. Yet, hog prices are declining. The prices are down largely because the cutout value dropped this week. USDA's Thursday afternoon calculated pork cutout value was \$82.32/cwt, down \$1.94 from the previous Thursday. Loins, bellies, and butts were lower this week while hams were higher.

The cause of the lower prices appears to be concern over the economy and domestic meat demand. Recent economic news has been dismal – declining consumer confidence, slowing manufacturing, a 125,000 decline in June's non-farm payroll and the Dow back below 10,000. It seems there are as many signs of a double-dip recession as there are of continuing recovery. The National Restaurant Association's index of restaurant activity declined in May. Let's hope the Independence Day weekend brings a lot of grilling and empties grocery store meat cases.

The national weighted average carcass price for negotiated hogs Friday morning was \$76.56/cwt, \$2.10 lower than the previous Friday. Regional average prices on Friday morning were: eastern corn belt \$76.82, western corn belt \$75.43, and Iowa-Minnesota \$75.45/cwt.

The terminal markets had very few hogs on Friday due to the upcoming holiday weekend. Peoria had a \$53 top on Friday. The interior Missouri live top Friday was \$54.25/cwt, the same as the previous Friday.

This week's hog slaughter totaled 1.972 million head, up 0.8 percent from the week before and up 4.4 percent compared to slaughter during the same week last year, which included July 4 and was therefore light. Year-to-date, pork production is down 3.8 percent. The June inventory report indicated 2010 hog slaughter should be down a bit over 3 percent.

The average carcass weight of barrows and gilts slaughtered the week ending June 19 was 200 pounds, down 1 pound from the week before and up 1 pound compared to a year ago. Iowa-Minnesota live weights last week averaged 269.7 pounds, up 4.6 pounds compared to a year earlier.

The July lean hog futures contract ended the week at \$78.20/cwt, down 15 cents from the previous Friday. The August contract settled at \$80.05, up \$1.27 for the week. October closed the week \$1.75 higher at \$73.75/cwt and December ended the week at \$70.90/cwt.

USDA/GIPSA has come out with their proposed new rules for packers as required by the 2008 farm bill. The rules are intended to prevent "unfair" treatment of small firms. They require that packers keep records to justify differential pricing or different contract terms. The new rules also prohibit packers buying animals from other packers. Whether these changes will help or hurt is certainly debatable.

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