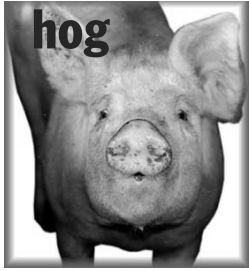


Foot And Mouth In Korea May Boost U.S. Pork Prices



GLENN GRIMES AND RON PLAIN
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outlook

This week USDA raised their forecast of 2011 red meat and poultry production by 0.4 percent. They also increased their price forecast for 2011 hogs by \$3.50/cwt of live weight and raised their forecast for fed cattle by \$3.00/cwt. USDA lowered their forecast of corn ending stock by 70 million bushels. March corn futures ended the week at \$7.065/bushel, up 28 cents from the previous Friday. Both the May and July corn contracts also closed above \$7/bu.

South Korea has been battling foot and mouth disease unsuccessfully for several months. Reports are that 30 percent of their swine herd has been eliminated in an effort to stop the spread of the disease. This is bad news for the Koreans, but it is likely to lead to increased U.S. pork exports. South Korea is the fourth largest foreign buyer of U.S. pork.

Hog prices ended the week higher than the week before. The national weighted average carcass price for negotiated hogs Friday morning was \$82.86/cwt, up \$2.02 from the previous week. The average hog carcass price this morning in the eastern corn belt was \$82.19/cwt. The western corn belt averaged \$83.83/cwt and Iowa-Minnesota averaged \$83.93/cwt. The top live hog price Friday at Sioux Falls was \$60/cwt. The top at Zumbrota was \$60 and Peoria's top was \$59/cwt. The interior Missouri live top Friday was \$58.75/cwt,

up \$4.50 from the previous Friday.

USDA's Thursday afternoon calculated pork cutout value was \$88.95/cwt, down 53 cents from the previous Thursday. Loins and hams were lower. Butts were higher and bellies unchanged. Packer margins have tightened. This morning's national average carcass price was 93 percent of the calculated pork cutout. That doesn't bode well for higher hog prices next week.

The average carcass weight of barrows and gilts slaughtered the week ending January 29 was 205 pounds, down 1 pound from the previous week but 5 pounds heavier than a year ago. Iowa-Minnesota live weights for barrows and gilts averaged 273.8 pounds last week, up 0.6 pounds from the week before and up 4.9 pounds compared to a year earlier.

Hog slaughter totaled 2.156 million head this week, up 5.1 percent from the week before (which was light because of snow) and up 0.2 percent compared to the same week last year. Over the last 10 weeks, hog slaughter has been roughly 1.5 percent higher than indicated by the December hog report.

The February lean hog futures contract ended the week at \$86.90/cwt, up \$1.90 from the previous Friday. The April contract ended the week at \$92.37/cwt and May hogs settled at \$100.57. Before this week, only the June lean hog contract had ever close above \$100/cwt. This week the May, June, July and August contracts all settle above \$100/cwt.

The nation's fifth largest hog producer, The Maschhoffs, LLC, has reached an agreement to buy NPP, LLC, the country's 15th largest hog operation. About 50,000 NPP sows and 80 production facilities are being acquired by The Maschhoffs. △

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