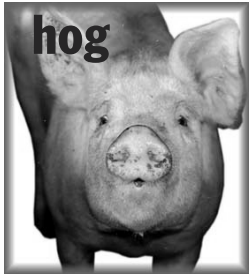


Fourth Quarter Hog Slaughter Expected To Be Highest On Record



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outlook

Hog slaughter in the fourth quarter this year is expected to be the highest of record. What are the chances that we will have more hogs than slaughter capacity, which would result in very low hog prices?

Federally inspected hog slaughter during the 13 weeks in October-December 2007 totaled 29.2187 million head. For the 11 non-holiday weeks in October-December of 2007 (excluding Thanksgiving and Christmas weeks) Federally inspected hog slaughter averaged 2.3577 million head per week. This is equal to 95.46 percent of the biggest slaughter week of record. How much higher will hog slaughter be during the fourth quarter of 2008 than during October-December?

If fourth quarter slaughter is up 3.7 percent the increase in number of market pigs in the June inventory weighing less than 60 pounds. How many Canadian slaughter hogs will be imported?

In recent weeks, imports of Canadian slaughter hogs have been averaging 23,000 head below a year-ago levels. It seems reasonable to expect them to stay well below year-ago levels for the rest of 2008. Our estimate is for fourth quarter slaughter to be up 2.64 percent from last year. With this level of slaughter, packers will need to operate at 98 percent of the record high week for the 11 non-holiday weeks.

We expect hog slaughter capacity to be a little higher this fall and winter than last year. Packers are constantly fine-tuning and pushing up their capacity. However, there is always

the risk that something will happen (fire, strike, etc) to shut down a plant this fall. That would not be good.

In summary, the current numbers are showing not to expect hog prices this fall or winter to be near the 1998 low. However, only very modest changes in these numbers will leave packers unable to slaughter hogs on a timely basis this fall. When this happened in the fall of 1998, hog prices dropped to \$10 per cwt at the low. Do we expect \$10 per cwt hogs this year? No, could it happen again? Definitely.

Hog weights continue to decline seasonally. Barrow and gilts in Iowa-Minnesota weights for the week ending July 5 at 259.6 pounds were the lowest since August of 2005 and down 2.1 pounds from a week earlier and down 3.7 pounds from a year earlier. Carcass weights of barrows and gilts under Federal Inspection are down about 1 percent in recent weeks from a year earlier.

Pork cutout at \$80.86 per cwt Thursday afternoon was up \$2.12 per cwt from a week earlier. Loins at \$97.76 per cwt were up \$1.65 per cwt, Boston butts at \$89.90 per cwt were down \$0.33 per cwt, hams at \$77.73 per cwt were up \$7.13 and bellies at \$83.35 per cwt were unchanged from last week.

Cash live hog prices Friday morning were \$0.75 higher to \$2.00 per cwt lower compared to Thursday of last week. Weighted average negotiated carcass prices were \$0.47 - \$7.84 per cwt higher Friday morning compared to eight days earlier.

The live top prices Friday morning at select markets were: Peoria \$42.00 per cwt, Zumbrota, Minnesota, \$49.50 per cwt and interior Missouri \$50.50 per cwt. Weighted average negotiated carcass prices by area were: Western Cornbelt \$76.25 per cwt, Eastern Cornbelt \$68.61, Iowa-Minnesota \$76.36 per cwt and nation \$73.19 per cwt.

Slaughter this week under Federal Inspection was estimated at 2152 thousand head, up 10.3 percent from a year earlier. △