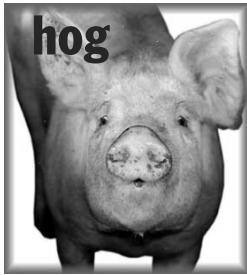


Futures Market Offers Seemingly Unrealistic Prices This Fall



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outlook

With corn over \$7.00 per bushel in the futures market, the hog industry will be really challenging for the next 12 to 18 months. Producers in most instances need to plan in terms of minimizing losses for the next 12-18 months as the hog industry downsizes to get supply in line with demand at these higher production costs.

The futures market is offering prices for this fall and winter that look unrealistic at this time. For example, the October and December contracts closed at an average of \$74.39 on Thursday. Last year the average cash price for hogs for 51-52 percent lean averaged about \$53.30 in carcass per cwt. The March Hogs and Pigs report indicated pork production for the fourth quarter of 2008 would be up between 1 percent and 2 percent from 2007.

Pork exports of product amounted to \$34.58 per hog slaughtered in April. Pork variety meat exports for April amounted to \$4.59 per hog slaughtered. The combined value of pork and variety meats exported amounted to \$39.17 per head.

For January through April, the value of pork exports per head slaughtered amounted to \$31.20 per head. For these four months, pork variety meats value amounted to \$4.48 per head slaughtered. This was a combined value of \$35.68 per head of hog slaughtered.

Pork exports in carcass weight equivalent in April were up 95.6 percent and set a new record high for a month and amounted to 21.8 percent of production. Pork exports for January-April were up 52 percent from last year. The January-April exports amounted to 19.2 percent of production.

Net pork exports as a percent of production in

April increased from 8.1 percent in 2007 to 18.3 percent in 2008. For January-April, net pork exports as a percent of product increased from 9.7 percent in 2007 to 15.6 percent in 2008.

Live hog imports from Canada in April were down 1.7 percent from a year earlier. Feeder pig imports were up 3.8 percent in April compared to 2007. Slaughter hog imports were down 14.5 percent in April compared to last year.

Live barrow and gilt weights in Iowa-Minnesota for the week ending June 7 at 264.4 pounds were down 0.1 pound from a week earlier and down 1.2 pounds from a year earlier. The average carcass weight for barrows and gilts under Federally Inspected slaughter for the week ending May 24 was down 2 pounds from a year earlier but was down only one pound for the week ending May 31. We believe the probabilities are near 100 percent that hog producers have pulled marketings forward some due to the high feed prices.

Pork cutout per cwt of carcass was pushed lower this week with the cutout at \$74.84 per cwt Thursday afternoon, down \$2.91 per cwt from last week. Loin prices at \$94.85 per cwt were down \$0.23 per cwt, Boston butts at \$90.61 per cwt were up \$2.01 per cwt, hams at \$65.69 per cwt were down \$10.22 per cwt, and bellies at \$71.53 per cwt were down \$6.58 per cwt from a week earlier.

Top live hog prices Friday morning were steady to \$2.50 per cwt lower than seven days earlier. Weighted average carcass prices for negotiated hogs Friday morning were \$2.52 to 2.91 per cwt lower than last Friday.

The top live prices for select markets Friday morning were: Peoria \$44 per cwt, Zumbrota, Minnesota, \$49 per cwt and interior Missouri \$49.25 per cwt. The weighted average negotiated carcass prices for Friday morning by area were: western Cornbelt \$68.45 per cwt, eastern Cornbelt \$67.96 per cwt, Iowa-Minnesota \$68.56 per cwt and nation \$68.15 per cwt.

Slaughter this week under Federal Inspection was estimated at 2,048 thousand head, up 6.2 percent from a year earlier. The slaughter this week was reduced some by the flooding in Iowa.

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