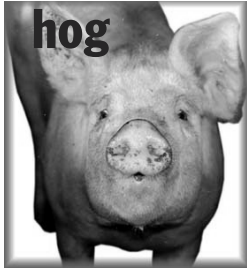


Growth In Sow Herd Could Force Prices Down



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outlook

Sow slaughter has dropped off in recent weeks. During the seven weeks ending on June 26, sow slaughter was down 12.4 percent compared to a year earlier. Part of the decline was due to a nearly 22 percent drop in imports of cull sows from Canada. Part was due to fewer U.S. sows available for slaughter – spring farrowings were down 4.7 percent. Adjusted for these two factors, sow slaughter was still down 5 percent compared to a year earlier. Producers are once again making money, so reduced sow slaughter is not surprising. It is very important for the industry that the sow herd not grow too quickly pushing up hog slaughter and forcing prices back below breakeven. There is a real need to rebuild equity.

Compared to their June forecast, USDA's July corn supply and demand estimates are for smaller stocks and lower, but still record, corn production. They are now forecasting a corn price close to \$3.55/bu for the marketing year ending on August 31 and a price close to \$3.75 for the year beginning September 1.

USDA raised their forecast of this year's soybean harvest by 35 million bushels, but they also raised their forecast of crush and exports. The result is a soybean price forecast of about \$8.85/bu, up a dime from last month's prediction. They are forecasting soybean meal at \$240-280/ton for the 2010-11 marketing year.

USDA's Thursday afternoon calculated pork cutout value was \$82.94/cwt, up 62 cents from the previous Thursday.

The national weighted average carcass price for negotiated hogs Friday morning was \$74.79/cwt, \$1.77 lower than the previous Friday. Regional average prices on Friday morning were: eastern corn belt \$74.85, western corn belt \$74.63, and Iowa-Minnesota \$75.29/cwt. The top live hog price Friday at Sioux Falls was \$55/cwt. Peoria topped at \$52 on Friday and Zumbrota, MN had a top price of \$54.

The interior Missouri live top Friday was \$52.75/cwt, down \$1.50 from the previous Friday.

This week's hog slaughter totaled 1.716 million head, down 13 percent from the week before and down 12 percent compared to slaughter during the same week last year, which did not include July 4. Year-to-date, pork production is down 4.1 percent.

The average carcass weight of barrows and gilts slaughtered the week ending June 26 was 199 pounds, down 1 pound from the week before and up 2 pounds compared to a year ago. Iowa-Minnesota live weights last week averaged 268.4 pounds, up 5.2 pounds compared to a year earlier. Weights should continue to decline due to high summer temperatures.

The July lean hog futures contract ended the week at \$78.62/cwt, up 42 cents from the previous Friday. The August contract settled at \$80.02 down 3 cents for the week. October closed the week \$1.35 higher at \$75.10/cwt and December ended the week at \$72.65/cwt.

The July corn contracted ended the week at \$3.75, up 11 cents from the previous Friday. July soybean meal futures gained \$19.20 this week to settle at \$314.10/ton. Δ

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