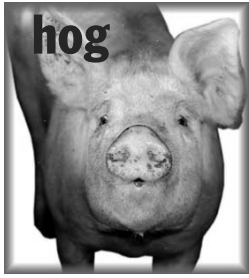


High Trimming Prices Push Sow Prices Upward



GLENN GRIMES AND RON PLAIN

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outlook

Cold storage stocks at the end of August were down two percent from July but up five percent from a year earlier. This is following the big run-up in cold storage stocks this spring – when we had large stocks in cold storage waiting for shipping containers for export. At the end of March pork cold storage stock were 33 percent above a year earlier. By the end of April, the stocks were up 23 percent from 12 months earlier. We have continued to reduce the stocks through summer, and we are now down to only five percent above 2007.

Sow prices for the past three weeks are above barrow and gilt prices. This unusual relationship is due, at least in part, to high trimming prices. It is not due to small sow slaughter. Sow slaughter for the week ending September 13 was up 11.3 percent from last year. For the four-week period ending September 13, sow slaughter was up 8.8 percent. These percentage changes are after adjusting for the size of the sow herd.

We have the same situation in cow prices. Even with larger cow slaughter, beef trimmings are higher than a year earlier as are cow prices even though slaughter of cows is running above a year earlier.

A part of the higher beef trimming prices is due to lower imports of beef, which is mostly lean manufactured beef.

We believe the higher sow prices are a result of higher trimming prices, which is associated with the economy and has resulted in consumers moving to lower-priced pork menus, which includes sausages.

The trade estimates of the September 1 Hogs

and Pigs show the breeding herd down 2.7 percent, the market herd up 2.5 percent, and the total head up 2.1 percent.

Pork cutout was pushed a little lower this week with the cutout per cwt of carcass at \$74.25 per cwt Thursday afternoon, down \$2.70 per cwt from a week earlier. Loins at \$90.34 per cwt were down \$2.60 per cwt, Boston butts at \$73.05 per cwt were down \$5.03 per cwt, hams at \$73.34 per cwt were down \$4.02 per cwt and bellies at \$82.35 per cwt were up \$1.41 per cwt from seven days earlier.

Live hog prices Friday morning were \$0.75 to \$3.00 per cwt higher compared to a week earlier. Weighted average negotiated carcass prices Friday morning were \$1.99 to \$2.86 per cwt higher compared to seven days earlier.

The top live prices by market Friday morning were: Peoria \$46.00 per cwt, Zumbrota, Minnesota, \$49.00 per cwt and interior Missouri \$47.50 per cwt. The weighted average carcass prices by area Friday morning were: western Cornbelt \$72.36 per cwt, eastern Cornbelt \$67.15 per cwt, Iowa-Minnesota \$72.58 per cwt and nation \$69.65 per cwt.

Feeder pig prices this week at United Tel-O-Auction were basically steady with two weeks earlier. The prices by weight groups were 50-60 pounds \$61-67 per cwt and 60-70 pounds \$51 per cwt.

Slaughter this week under Federal Inspection was estimated at 2363 thousand head, up 6.4 percent from a year earlier.

The September 1 Hogs and Pigs came in close to trade expectations. The total number was up two percent; the trade expectations were for a 2.1 percent increase. The breeding herd was down 2.6 percent. The trade expectations was for a decline of 3.7 percent and the market herd was up 2.5 percent the same as the trade estimate.

We expect fourth quarter slaughter to be up two percent with a 51-52 pound lean hog at \$42.47 per cwt. For the first quarter of 2009 we expect slaughter to be down 2.1 percent and a 51-52 pound lean hogs at \$49-53 per cwt. Δ