Higher Prices Gleaned From Futures Market

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outlook

Hog producers who have used the futures market in recent weeks by marketing hogs with the other market contract, which bases the price on the future market, have fared much better than hog producers who priced their marketings on the spot market.

For the last two weeks of October, the producers who used the other market contract netted $18.26 per hog more than producers who used the spot market.

For the producers who used the other market contract to sell hogs the first week of November, they netted $31.40 more per hog than the producers who used the spot market.

For the last half of October, 15 percent of the hogs marketed by independent producers and for the first week of November, 12.4 percent of the hogs marketed by independents were priced on the futures market by using the other market contract. We do not know how many producers used the futures market directly by selling a contract to price their hogs. On average, the futures market has offered a much better price than the spot market in late 2007 and 2008 for hogs.

Hog producers received good news this week with the November crop report release. Even though USDA reduced the 2008 corn crop by 11-million-bushels due to expected reduction in corn exports from the October estimate, carryover stocks of corn increased by 36-million-bushels for the end of the 2008-2009 marketing year.

With these larger carryover stocks and the possibility of oil prices being lower the next year, USDA lowered their midpoint estimate of corn prices to $4.40 per bushel from a $4.75 per bushel estimate in October. That still may be high if oil prices hold near $60 per barrel.

The 2008 soybean crop estimate was reduced by 70 million bushels. Even though use of soybean in the 2008-2009 marketing year was not reduced enough to keep ending stocks from reducing 17 million bushels, the estimated price for soybeans for the 2008-2009 marketing year was reduced from $10.45 per bushel in October to $9.70 per bushel in November.

If these price estimates are correct it will reduce the cost of producing hogs by about $1.75 per cwt using the November estimates compared to the October estimates.

Pork product prices appear to have found some stability this week with the cutout per cwt of carcass at $56.96 per cwt Thursday afternoon, up $0.16 per cwt from a week earlier. Loin prices at $74.78 per cwt were down $2.62 per cwt, Boston butts at $61.78 per cwt were up $2.09 per cwt, hams at $44.94 per cwt were up $6.48 per cwt and bellies at $64.43 per cwt were down $2.26 per cwt form a week earlier.

Hopefully, we have most or all of the fall decline in prices behind us; but remember, the week after Thanksgiving is often the largest slaughter week of the year.

Live hog prices Friday morning were $0.75 - $1.50 per cwt lower compared to last Friday. The weighted average negotiated carcass price Friday morning was $0.70 lower to $1.66 per cwt higher compared to seven days earlier.

The top live hog prices Friday at select market were: Peoria $32.50 per cwt, Zumbrota, Minnesota, $37.00 per cwt and interior Missouri $35.75 per cwt.

The weighted average negotiated carcass prices Friday morning by region were: western Cornbelt $52.25 per cwt, eastern Cornbelt $48.24 per cwt, Iowa-Minnesota $52.40 per cwt and nation $50.03 per cwt.

Slaughter this week under Federal Inspection was estimated at 2310 thousand head, down 2.6 percent price a year earlier. Δ