

# Hog Farmers Back To Making Profits

**COLUMBIA, MO.**

**H**og farmers are in unfamiliar territory this month as many move out of the red and into the black on their cash flow statements.

"Producers have lost a lot of money in the last two years in the hog business, but right now it looks like 2010 will turn out to be slightly profitable, with some very good profits in the summer months," said Ron Plain, a University of Missouri agricultural economist.

"We're back into profitable ranges for hog prices, right around \$50 per hundredweight or a little bit better, and with carcass prices in the \$70s. These are the highest hog prices since the fall of 2008," he said.

This comes as a welcome change for hog farmers who spent much of 2008 and 2009 culling herds to survive when low prices almost guaranteed losses. That reduction of herd size, combined with improving demand, has pushed prices back up. Another supply factor is reduced market weights because of feed problems tied to vomitoxin in moldy corn harvested last fall.

"The number of hogs coming to market in the first quarter was down 3 percent, but in recent weeks we've been close to the level of a year ago," Plain said. "The USDA's March hog and pig report was encouraging, with numbers coming in smaller than expected, with breeding

herds down 3.9 percent and forecasted spring farrowings down 4 percent from a year ago."

That caused hog prices to stay above \$50 per hundredweight for live hogs and carcass prices to level in the low \$70s. With corn prices staying in the mid-\$3 range, the lowest stable level in the last two years, cost of production is about 52 cents per pound of live hog.

Exports are expected to aid this rebound and compound the prospect for higher prices.

"We were down on exports last year for the first time in 19 years, but 2009 pork exports were still the second-highest ever. We're looking for U.S. pork exports to be up 5-10 percent from last year's level," Plain said. "That is helped by the fact that Russia has increased the number of U.S. slaughter plants that are approved for shipments there, and China has lifted the ban on U.S. pork put in place last year during the swine flu scare."

This sunny outlook for hog farmers could mean slightly higher prices in store aisles.

"Higher live-animal prices are going to translate into higher prices of meat in the grocery store," Plain said. "I'm concerned that consumers might slow down their meat consumption when that happens. If so, we may see some push-back from the packers in buying hogs. Domestic meat demand should be fine if the economy grows a little bit faster and unemployment drops." △

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