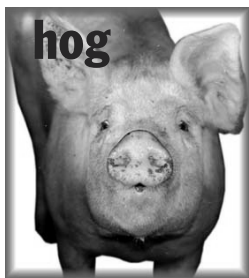


# Hog Prices Continue Steady Decline



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## outlook

**T**his week, hog prices continued the steady decline which began in mid May. Hog carcass prices ended the week in the low \$70s, \$10 lower than the May peak, but still \$18 higher than in early April. The top price Friday at Peoria was \$46/cwt, \$2 lower than the previous Friday. Sioux Falls had a \$51.50 top on Friday and Zumbrota, MN topped at \$49/cwt. The interior Missouri top Friday was \$51.25, down \$1.50 for the week. The national weighted average carcass price Friday morning for negotiated hogs was \$70.86/cwt, \$1.29 lower than the previous Friday. Regional average prices on Friday morning were: eastern corn belt \$70.48, western corn belt \$71.39, and Iowa-Minnesota \$71.31/cwt. Carcass prices are roughly \$2/cwt higher than at this time last year.

The pork carcass cutout value was also lower this week. Hams were higher, but pork loins, bellies, and Boston Butts were lower. The Thursday afternoon USDA calculated cutout value was \$77.75/cwt, down \$2/cwt from the previous Thursday and \$4.50 lower than on May 14.

This week's hog slaughter was 2.117 million head, up 10.9 percent compared to the same week in 2007, the first double digit increase in hog slaughter since late April. January-April

slaughter was up 12.6 percent (with 1 extra slaughter day). Hog slaughter during the 5 weeks beginning on April 28 was up only 6.7 percent. Weekly inspections data indicate the number of Canadian slaughter hogs imported during April and May were down 23 percent compared to a year ago. However, feeder pig imports continue to run above year-ago levels.

This week's decline in hog prices may not be as worrisome for hog producers as the raise in corn prices. Corn futures pushed above \$7/bushel for the first time on Friday. The July 2009 corn contract ended the week at \$7.01/bushel. We expect USDA's June inventory report to show a smaller sow herd than a year ago. Sow slaughter thus far in 2008 is up over 7 percent.

The average carcass weight of barrows and gilts slaughtered the week ending May 24 was 196 pounds, down 1 pound from the week before and 2 pounds lighter than for the same week in 2007. The national weekly average carcass weight of barrows and gilts has been below year-ago levels for 5 consecutive weeks. Producers have made the wise choice to keep marketings very current. That not only supports hog prices by reducing the quantity of pork on the market, but also reduces the size of the feed bill.

The June lean hog futures contract ended the week at \$75.12/cwt, down \$2.63 from last Friday. The July contract settled at \$74.00 today, down \$4.10 for the week. August closed the week at \$76.72/cwt and October settled at \$75.30. The futures market continues to be optimistic about late 2008 and 2009. The December contract settled at 76.32 and the June 2009 contract closed at \$92.45, \$17.35/cwt above where the June 2008 contract close. △