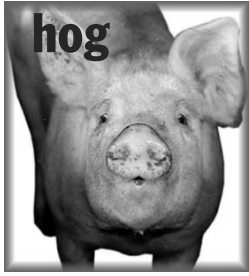


Hog Producers Should Take Hard Look At Hedge Opportunities



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The Annual American Agricultural Economics Association Outlook Survey shows third quarter pork production up 7.2 percent, fourth quarter up 2.4 percent from 2007 and first quarter 2009 down 2 percent, second quarter down 2.8 percent, third quarter down 3.2 percent and fourth quarter of 2009 down 3.6 percent from a year earlier.

With this level of production the people who participated in this annual survey expect third quarter 2008 51-52 percent live hogs to average \$52.40 per cwt, fourth quarter \$48.36, first quarter 2009 \$51.61 per cwt, second quarter \$58.46, third quarter \$60.25 and fourth quarter 2009 \$57.01. This results in an average price for 2009 at \$56.88.

Based on these forecasts, hog producers that cannot handle more risk should take a long hard look at what the lean hog futures contract is now offering for hedge opportunities.

If the above forecasts turn out to be what happens, and they look realistic with current information, hog producers on average will lose money through much of 2009.

In the same survey corn prices at Chicago Board of Trade are forecast to be \$6.69 per bushel the first of December 2008, \$7.04 per bushel the first of March 2009 and \$7.00 per bushel the end of June 2009. For these same dates soybean meal on the Chicago Board of

Trade is expected to average \$375 per ton for first of December 2008, \$396 per ton for first of March 2009 and \$402 per ton for the end of June 2009.

With these prices for feed the average cost producer's break even price will likely be in the low \$60 range per cwt live.

Pork product cutout was pushed \$3.73 per cwt higher this week through Thursday at \$91.96 per cwt. Loin price were at \$111.09 up \$9.71 per cwt, Boston butts at \$97.52 per cwt were up \$5.17 per cwt, hams at \$89.59 per cwt up \$0.28 per cwt and bellies at \$99.72 up \$0.23 per cwt from a week earlier.

The average weight of barrows and gilts in Iowa Minnesota last week were down 1.8 pounds from seven days earlier and 4.8 pounds below a year earlier. Barrow and gilt carcass weight for week ending July 26 at 192 pounds was down 2 pounds from a year earlier.

These data continue to show how producers have pulled marketings forward to reduce weights because of high feed prices and lower feed conversion that goes with heavier weights.

Live hog prices Friday morning were \$2.25-5.00 per cwt higher compared to a week earlier. Weighted average negotiated carcass prices were \$6.57-9.31 per cwt higher compared to seven days earlier.

The live prices Friday morning for select markets were: Peoria \$56.00 per cwt, Zumbrota Minnesota \$60.00 per cwt and Interior Missouri \$58.00 per cwt. The weighted average negotiated carcass price by area Friday morning were: western Cornbelt \$88.78 per cwt eastern Cornbelt \$85.67 per cwt, Iowa-Minnesota \$88.89 per cwt and nation \$87.10 per cwt.

Slaughter this week was estimated at 2128 thousand head up 6.1 percent from a year earlier. Δ