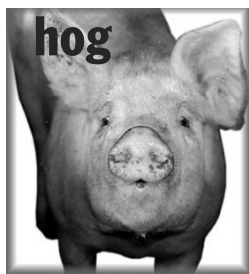


Hog Slaughter Down For Holiday Week



GLENN GRIMES AND RON PLAIN

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outlook

Our gilt slaughter data imply the swine breeding herd declined in July but held steady during August. It is not obvious to me we are going to get as much herd reduction as USDA has predicted.

Since meat demand depends on people with money to spend, today's jobs report is not encouraging. Only 96 thousand jobs were added to the economy during August. That is not enough to keep up with U.S. population growth which is roughly 195,000 per month. The unemployment rate declined to 8.1 percent because nearly 400 thousand people quit searching for jobs. You are only counted as unemployed if you are actively looking for a job. The labor force participation rate dropped to 63.5 percent. The last time it was lower was in May of 1979.

Because of the Labor Day holiday on Monday, hog slaughter this week totaled only 2.074 million head, down 9.1 percent from the week before, but up 2.7 percent compared to the same week last year. Hog slaughter on both Tuesday and Wednesday was estimated at 435 thousand head. If accurate, those are the largest hog slaughter days since December 29, 2009. Saturday's slaughter is predicted to be 336 thousand, by my records the sixth biggest Saturday ever.

The average barrow and gilt live weight in

Iowa-Minnesota last week was 268.2 pounds, 0.4 pounds below a week earlier, but up 4.7 pounds from a year ago. Weights were above year-ago for the 41st consecutive week. Pork production during the last six weeks was up 5.4 percent from a year ago. Year-to-date, pork production is up 2.3 percent compared to 2011.

The large hog slaughter in recent weeks has hammered hog prices. The Thursday afternoon calculated pork cutout value was \$78.56/cwt, down \$3.04 from the previous Thursday, down \$14.24 from four weeks earlier, and \$16.43 lower than a year ago. Loins, butts, hams and bellies were all lower this week.

Hog prices are down for the fifth week in a row. The national average negotiated carcass price for direct delivered hogs on the morning report today was \$65.78/cwt, down \$5.35 from last Friday and down \$24.56 from five weeks earlier. The eastern corn belt was down \$5.28 from last Friday to \$65.93/cwt. Neither the western corn belt nor Iowa-Minnesota moved enough hogs early this morning for a price quote. Peoria had a top live price this morning of \$45/cwt and Zumbrota had a live top today of \$47/cwt. The top for interior Missouri live hogs Friday was \$49.75/cwt, down \$4.50 from the previous Friday. The big drop in hog prices has put packer margins solidly in the black. Today's average hog carcass price is 83.7 percent of the cutout value.

Hog futures were lower this week. Friday's close for the October lean hog futures contract was \$71.35/cwt, down \$2.82 from the previous Friday, but well above current cash prices. December hog futures settled at \$70.50/cwt, down \$1.90 for the week. February 2013 hogs ended the week at \$78.00/cwt, down \$2.32 from the week before. Δ

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