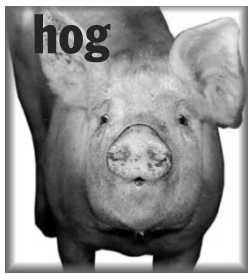


# Hog Slaughter Rises 4.1 Percent From Last Week



**GLENN GRIMES AND RON PLAIN**

Agricultural Economists •  
University of Missouri

## outlook

**S**trong export demand, light slaughter weights, and lower-than-expected hog slaughter are giving us record pork and hog prices. The pork cutout value rose for the sixth consecutive week and was above \$110/cwt for the first time ever on both Monday and Wednesday of this week. USDA's Thursday afternoon calculated pork cutout value was \$109.43/cwt, up \$1.33 from the previous Thursday.

The national average negotiated carcass price for direct delivered hogs on the morning report today was \$102.56/cwt, up \$1.49 from last Friday. The Friday morning price report for the western corn belt was \$104.98/cwt. Iowa-Minnesota also averaged \$104.98/cwt. The eastern corn belt averaged \$101.40/cwt. Friday's top live hog price at Peoria was \$70/cwt. Zumbrota's top was \$72/cwt. The top for interior Missouri live hogs was \$73.50/cwt, up 75 cents from the previous Friday.

Hog slaughter totaled 2.034 million head this week, up 4.1 percent from last week, but down 0.8 percent compared to the same week last year. Barrow and gilt slaughter is running 1.3 percent under the level implied by the June hogs and pigs report. Barrow and gilt carcass weights for the week ending July 30 averaged 196 pounds, down 1 pound from a week earlier and down 1 pound from a year ago. Iowa-Minnesota live weights for barrows and gilts last week averaged 260.8 pounds, down 0.1 pound from the week before, down 6.0 pounds compared to the same week last year, and the lightest of any week since September 2008. This is

the eleventh consecutive week Iowa-Minnesota weights have been below the year-earlier level. Look for both slaughter weights and daily hog slaughter to increase as we move closer to fall.

Their August supply and demand report lowered USDA's forecast of the 2011 corn crop by 556 million bushels and raised their corn price estimate for the upcoming marketing year to between \$6.20 and \$7.20 per bushel. It looks like hog carcass prices will need to average at least \$89/cwt in 2012 for the typical hog producer to turn a profit. USDA is predicting that for the first time ever, feed will not be the primary use for the U.S. corn crop. They estimate 4.9 billion bushels of this year's corn crop will be fed to U.S. livestock and poultry, 5.1 billion bushels will go to ethanol production, 1.75 billion bushels will be exported, and 1.41 billion bushels will go to food, seed, and other usage. The feed usage is down 2 percent from the previous year, down 17 percent from 4 years earlier and the lowest since the 1995-96 marketing year. Less feed means less meat. USDA lowered their forecast of 2012 red meat and poultry production to 0.4 percent less than this year. They are forecasting a 1.6 percent increase in pork production in 2012.

Today's close for the August lean hog futures contract, \$107.45/cwt, was up 25 cents from the day before, up \$2.53 from last Friday and the highest settlement price ever for any lean hog contract. Today, the October lean hog contract settled at \$89.47/cwt, down \$2.38 from the previous Friday. The December lean hog contract settled Friday at \$86.20/cwt, down \$2.55 for the week. September corn futures contract gained 27 cents this week to settle at \$6.93/bu. December corn futures close at \$7.03, up 34 cents from the previous Friday. March settled at \$7.16/bu. The August soybean meal contract ended the week at \$345.20/ton.

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*GLENN GRIMES AND RON PLAIN: Agricultural Economists, University of Missouri*



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