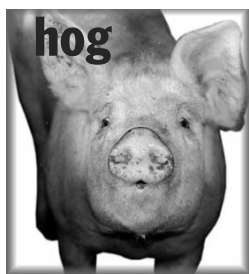


Large Pork Stocks May Indicate Export Increase



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outlook

The amount of pork in cold storage at the end of August was 441 million pounds, down 3 percent from a month earlier but up 13 percent from a year ago. Large frozen stocks used to be a drag in the market, but increasingly large pork stocks are an indication of a coming increase in pork exports.

Iowa State University calculations put the breakeven price for hogs marketed in August by a typical farrow to finish operation at a record \$67.74/cwt of live weight. That is \$17.26 higher than in August 2010. We had record hog prices this summer but not record profits. ISU estimates per head profits during August at \$21.33, down \$13.91 from 12 months earlier.

Through August, barrow and gilt slaughter is up 0.1 percent and sow slaughter is up 1.1 percent.

USDA will release the results of their September hog inventory survey on Wednesday. I expect it to say that the market hog inventory is up 1.3 percent and the breeding herd is up 0.3 percent compared to a year ago. I'm forecasting fall farrowings to be down 1 percent and winter farrowings down 0.5 percent.

The pork cutout value rose for the second week in a row. USDA's Thursday afternoon calculated pork cutout value was \$97.51/cwt, up \$2.29 from the previous Thursday. Loins, butts and bellies were higher, hams lower.

The national average negotiated carcass price for direct delivered hogs on the morning report today was \$84.87/cwt, up \$2.80 from last Friday. The Friday morning price report for the western corn belt was \$87.39/cwt. Iowa-Minnesota averaged \$87.64/cwt and eastern corn belt barrows and gilts averaged \$83.86/cwt of carcass. Friday's top live hog price at Peoria was \$60/cwt. Zumbrota's top was \$61/cwt. The top for interior Missouri live hogs was \$63.75/cwt, up \$3.75 from the previous Friday.

Hog slaughter totaled 2.289 million head this week, up 0.1 percent from last week, up 4.1 percent compared to the same week last year, and the largest weekly total since December. Barrow and gilt carcass weights for the week ending September 10 averaged 199 pounds, up 3 pounds from a week earlier but unchanged from a year ago. Iowa-Minnesota live weights for barrows and gilts last week averaged 268.4 pounds, up 1.2 pounds from the week before, but down 0.5 pounds compared to the same week last year. This is the seventeenth consecutive week Iowa-Minnesota weights have been below the year-earlier level. Year-to-date hog slaughter is down 0.1 percent while pork production is up 1.0 percent.

Today's close for the October lean hog futures contract, \$88.80/cwt, was up \$1.45 from last Friday. The December lean hog futures contract settled at \$83.72/cwt, up \$1.00 from the previous Friday. February settled at \$87.92/cwt.

The December, March, May and July corn futures contracts each ended this week 54 cents lower than last. The December contract settled at \$6.385, March at \$6.52, May at \$6.595 and July at \$6.635 per bushel. Δ

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