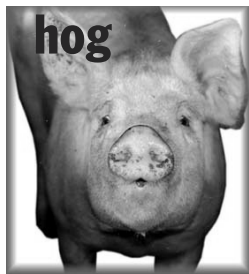


Little Good News On Demand For Pork



GLENN GRIMES AND RON PLAIN

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outlook

The dollar has been strengthening lately, especially against the Euro. The trade-weighted value of the dollar has increased 8 percent since mid November. A stronger dollar should help hold down energy prices, but it is not likely to help pork exports. Roughly 18 percent of U.S. pork production was exported in 2009. A strong dollar makes U.S. pork look expensive to foreigners. Trade data for December will be released next week.

Although the news about pork supply is encouraging, there is little good news on the demand front. The Dow Jones industrial average dropped below 9,000 on Friday. There is a lot of concern over the financial problems of the U.S. government and also of the European Union. U.S. non-farm payroll started 2010 8.22 million jobs lower than two years earlier. Declining payrolls are devastating for meat demand.

This week's hog slaughter is estimated to be 2.149 million head, down 3.0 percent compared to the same week last year. Hog slaughter has been below year-ago for each of the last five weeks. During these 5 weeks hog slaughter was down nearly 6 percent compared to last year. Despite this drop in slaughter, current carcass hog prices are less than a dollar higher than at the end of 2009.

USDA's Thursday afternoon calculated cutout value was \$69.15/cwt, down 9 cents from the previous Thursday but up \$12.01 compared to the same day last year. Loins and bellies were lower this week while hams and boston butts were higher.

Hog prices ended the week mixed. The national weighted average carcass price for negotiated hogs Friday morning was \$61.68/cwt, 55 cents lower than the previous Friday, but \$8.71/cwt higher than a year ago. Regional average prices on Friday morning were: eastern corn belt \$61.47, western corn belt \$62.30, and Iowa-Minnesota also \$62.30/cwt. The top hog price Friday at Sioux Falls was \$48.50/cwt, up \$3 for the week. Zumbrota, MN had a top of \$45 on Friday and Peoria topped at \$41/cwt. The interior Missouri top Friday was \$44.50/cwt, \$1.50 lower than the previous Friday.

The average carcass weight of barrows and gilts slaughtered the week ending January 23 was 201 pounds, the same as the week before and the same as a year ago. Iowa-Minnesota live weights last week averaged 268.4 pounds, down 0.3 pounds compared to a year earlier.

The February lean hog futures contract ended the week at \$66.70/cwt, down 20 cents from last Friday. Today the April contract settled at \$66.72, off \$1.88 for the week. May closed the week at \$72.47/cwt and June ended at \$75.42/cwt.

With corn prices under \$3.50 in many places in the Midwest, breakeven carcass prices for slaughter hogs are expected to average in the upper \$60s during the first half of 2010. Δ

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