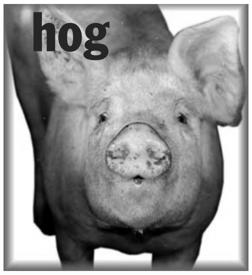
Live Hog Demand Down 5% This Year



GLENN GRIMES AND RON PLAIN
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outlook

Demand for pork continues to run above a year earlier based on USDA data. The January-October index is a plus 2.6 percent from last year. We believe the USDA data is overestimating pork price. In times when we have large supplies of pork and have special low prices by retailers, USDA uses the low price but the amount sold with the low prices is the same as the regular prices. This is not what happens in the real world; the amount sold with the special low prices can be and is most often several times the tonnage sold with the regular prices. This procedure will overestimate the average price.

Live hog demand for January-October was down five percent from last year. Most, if not all, of the reduced live demand is due to smaller exports.

Feeder pig prices this week at United Tel-o-Auction were mixed compared to two weeks earlier. Pigs weighing 50-pounds-plus were higher and 60 pounds were lower than two weeks ago. The prices were 50-60 pounds $72-91 per cwt and 60 pounds $60 per cwt.

Nationally last week pig prices were steady to $1.00 per head higher than a week earlier. The national price per head for 10-pound-pigs averaged $37.33. Pigs weighing 40 pounds averaged $41.62 per head. The formula price for 10-pound-pigs was $37.57 per head, and the spot or negotiated price was $37.17 per head. The formula price for 40-pound-pigs was $55.31 per head, and the spot market price was $40.49 per head.

Recent gilt and sow slaughter data indicates producers are not reducing the herd much, if any. However, the futures market for April through August in the $70s is sending a message that at least the summer months next year are likely to be profitable for the average-cost producer. We still believe the odds are high for 2010 to show lower averages for the year.

Barrow and gilt weights live in Iowa-Minnesota for the week ending November 28 at 269.5 pounds were down one pound from a week earlier but up 1.7 pounds from a year earlier. Carcass weights under Federal Inspection for barrows and gilts for the week ending November 21 at 200 pounds were the same as a year earlier.

Carcass cutout through Thursday at $63.42 per cwt was up $1.81 per cwt from a week earlier. Loins at $68.22 per cwt were up $0.80 per cwt, Boston butts at $63.42 per cwt were up $1.73 per cwt, hams at $67.33 per cwt were up $6.19 per cwt, and bellies at $68.10 per cwt were down $1.72 per cwt from seven days earlier. Live hog prices on Friday morning were $1.50-3.50 higher compared to a week earlier. Negotiated weighted average carcass prices Friday morning were $3.30-3.90 per cwt higher compared to seven days earlier.

The top live prices Friday morning were Peoria $36 per cwt, Zumbrota, Minnesota, $37 per cwt and interior Missouri $40.25 per cwt.

The weighted average negotiated carcass prices by area were: western Cornbelt $60.22 per cwt, eastern Cornbelt $56.67 per cwt, Iowa-Missouri $60.23 per cwt and nation $58.22 per cwt.

It now looks like the odds are high that the average monthly low price occurred in August this year. The first time of record for the low-average month to come in August with the exception of 1945 when we had a ceiling price due to World War II.

Slaughter this week under Federal Inspection was estimated at 2267 thousand head, down 4.3 percent from 12 months earlier. Δ

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