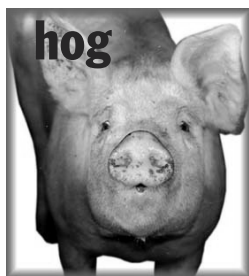


Live Hog Demand Shows Sharp Rise This Year



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outlook

Demand, demand, demand – the good news in the hog industry, especially live hog demand. For January – May, consumer demand for pork was up but by only about 1.2 percent. However, live hog demand was up between six and eight percent for these five months compared to last year.

Live hog prices for January – May for a 51-52-percent lean U.S. basis averaged \$44.35 per cwt. Without the demand growth, they would have averaged between \$35 and \$38 per cwt live.

Most of this increase in demand was a result of the sharp increase in pork exports. The big question is can we hold all of this demand growth as we go through the remainder of 2008?

In late week, the futures market with a \$2 basis was at \$74 per cwt in the carcass for October – December. Last year we averaged about \$53.30 per cwt in carcass.

It will take an unbelievably strong demand for live hogs to get the \$74 per cwt carcass for October – December this year.

Unfortunately with the sky-high carcass prices, the \$74 per cwt is not likely to cover the costs of producing pork unless feed prices were locked in substantially less than the current corn prices.

Live hog weights for barrows and gilts for the week ending June 21 at 263.2 pounds in Iowa-Minnesota were 1.7 pounds below last week and 0.6 pound below a year earlier.

Barrow and gilt carcass weights under Federal Inspection for the week ending June 14 at

195 pounds were one pound below a week earlier and two pounds below a year earlier.

Pork cutout per cwt of carcass was pushed \$0.38 per cwt higher this week and was at \$79.71 per cwt on Thursday afternoon. Loins at \$95.42 per cwt were \$1.93 per cwt lower, Boston butts at \$94.23 per cwt were \$0.29 lower, hams at \$72.17 per cwt were \$2.80 per cwt lower and bellies at \$83.36 per cwt were \$11.76 per cwt higher than a week earlier.

Live hog prices this Friday morning were Steady to \$0.75 per cwt higher compared to a week earlier. Weighted average carcass prices for negotiated hogs Friday morning were \$0.98 higher to \$2.16 per cwt lower compared to seven days earlier.

Top live hog prices Friday morning for select markets were: Peoria \$47 per cwt, Zumbrota, Minnesota, \$51 per cwt and interior Missouri \$52 per cwt.

Weighted average carcass prices by area Friday morning were: western Cornbelt \$72.02 per cwt, eastern Cornbelt \$71.62, Iowa-Minnesota \$71.97 per cwt and nation \$71.78 per cwt.

Slaughter this week under Federal Inspection was estimated at 2130 thousand head, up 9.5 percent from a year earlier.

The June 1 Hogs and Pigs report came in more bearish than the trade reports. The total herd was up 5.8 percent according to USDA. The trade estimate was for an increase of 4.6 percent. The breeding herd was down 0.8 percent while the trade estimate was for a decrease of 1.4 percent. The number of market hogs was up 6.5 percent and the trade estimate was for an increase of 5.1 percent.

With the USDA inventories, we are forecasting slaughter in the third quarter will be up nearly eight percent at 28.660 million head, and commercial slaughter and 51-52 percent lean live hog prices of \$48-52 per cwt. For the fourth quarter, we expect a slaughter of 31.5 million head and a price of \$40-44 per cwt for live 51-52 percent lean hogs. Δ