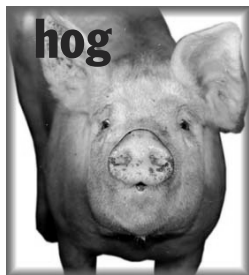


Live Hog Prices Down, But Increased Production Compensates



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outlook

Consumer demand for pork continues to hold the growth at 2.3 percent registered for all of 2007 in the last three months of November 2007 to January 2008. Even more important is live hog demand, which showed growth at 6.4 percent from 12 months earlier for November through January.

Live hog prices for this three-month period were down 16 percent but with a 10 percent increase in production, the decline expected in recent year is 30-40 percent or double or more the decline realized.

Live hog demand appears to be developing a cycle. The most recent growth period is now 18 months and counting. How long will this demand growth continue? Unfortunately, our ability to predict demand change is very poor. The growth period of late 2003, 2004 and earlier 2005 lasted for 26 months but was fueled at least in part by the high protein diet fad.

Cold storage stockers of pork on January 31 were up 23 percent from December 31 and up 16 percent from a year earlier. With a 14 percent increase in slaughter this January from a year earlier, the increase in cold storage stocks does not seem to be that negative. The last five years the cold storage on January 31 was up an average of 11.3 percent from the previous December 31.

The average live weight of barrows and gilts in Iowa-Minnesota for last week was at 266.8 pounds, down 0.2 pounds from a week earlier and down 1.8 pounds from a year earlier. A portion of the decrease in weights this year from

2007 is probably colder weather but also indicates marketings are quite current we keep thinking that \$5.00 per bushel corn will lead to lower market weights but has been slow to develop.

The cutout per cwt of carcass this Thursday afternoon was at \$60.23 per cwt down \$0.74 per cwt from a week earlier. Loins at \$75.29 per cwt, up \$0.66 per cwt, boston butts at \$58.77 per cwt down \$0.71 per cwt, hams at \$46.74 per cwt down \$2.14 per cwt and bellies at \$77.03 per cwt down \$1.57 per cwt from seven days earlier.

Live hog prices this Friday morning were \$1.50-3.00 per cwt lower compared to last Friday. Weighted average carcass prices in negotiated trade this Friday morning were \$0.20 higher to 3.36 per cwt lower compared to a week earlier.

The top live prices for select markets Friday morning were Peoria \$34.50 per cwt, St. Paul \$36.00 per cwt, and interior Missouri \$38.75 per cwt. The weighted average negotiated carcass prices Friday morning were: western Cornbelt \$57.90 per cwt, eastern Cornbelt \$52.90 per cwt, Iowa-Minnesota \$58.35 per cwt and nation \$56.04 per cwt.

Retail pork prices for January were at \$2.85 per pound was down 0.1 percent from December 2007 but up 1.9 percent from January a year earlier.

Feeder pig prices at United Tel-O-Auction this week were \$4-10 per cwt below two weeks earlier. All of the pigs weighed between 50-60 pounds and sold from \$76-81.50 per cwt.

Slaughter this week was up sharply from a year earlier which was low due to a snow storm in the Midwest. The estimated Federal Inspection number this week at 2187 thousand head, up 15.7 percent from a year earlier.

Good news from north of the border. The Canadian Government is offering hog producers in Canada a buyout program in order to reduce the sow herd faster. Δ