

Meat Demand Weakness Is Due To Weak Economy



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outlook

The demand for the three major meats was down last year. Pork demand was down 3.5 percent, beef down 4.1 percent and broiler down one percent.

Demand weakness for all meats in the last year is probably mostly due to the weak general economy and relative high unemployment rate. Though the odds are very high that demand for meats will be down in 2009 from 2008.

This weaker demand along with the relative high grain prices means the hog herd will need to be reduced more than we have done so to date. We probably need to reduce the breeding herd at least double the December 1, 2008 reduction from a year earlier. We believe the herd will need to be reduced at least 5 percent and maybe as much as 10 percent if demand continues weak as seems most likely.

Barrow and gilt weights continued their seasonal decline with Iowa-Minnesota weights at 268.7 pounds last week down 0.3 pounds from a week earlier but up 0.4 pounds from a year earlier. This data continues to add evidence to the belief that marketing are not as current as they were since late summer.

Gilt slaughter for the past month has been below a year earlier. This suggests we probably have stopped the decline that was started last winter. The probabilities are high that we need

to reduce the breeding herd another 3-5 percent to get marketing more in line with demand and get a price that at least meets costs for the average cost producer.

Pork product cutout held basically steady this week with quite small changes day to day. The cutout this Thursday afternoon at \$57.14 was up \$0.14 per cwt from a week earlier. Loins at \$74.66 per cwt were up \$0.10 per cwt, Boston butts at \$58.23 were down \$1.97 per cwt, hams at \$39.34 per cwt were up \$0.36 per cwt and bellies at \$72.31 were down \$0.10 per cwt from seven days earlier.

Unless demand strengthens or marketing are less than expected, 2009 will likely register losses for the average cost production that did not take price protection.

The national trend on feeder pigs last week was \$2-3.00 per head lower. The average price for early-weaned 10-pound basis pigs was \$40.98 per head. For 40 pound basis pigs the average price was \$58.00 per head. We would still rather be sellers than buyers at these prices.

The top live prices for barrows and gilts Friday morning were \$0.25 to \$1.50 per cwt higher compared to last week. The weighted average negotiated carcass prices Friday morning were \$1.76 - \$6.74 per cwt lower compared to a week earlier.

The live prices for select markets Friday morning were; Peoria \$36.00 per cwt, Zumbrota Minnesota \$38.00 per cwt and interior Missouri \$40.25 per cwt.

The weighted average negotiated carcass prices by areas Friday morning were; western Cornbelt \$53.55 per cwt, eastern Cornbelt \$52.95 per cwt, Iowa-Minnesota \$53.10 per cwt and nation \$52.97 per cwt. Δ

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