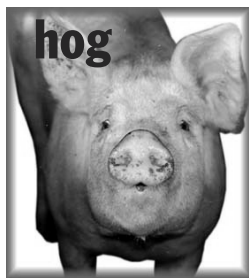


Misnamed Flu Virus Causes Hog Prices To Dip



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outlook

Hog prices have seriously underperformed expectations this month. Over the last 10 years, May hog carcass prices have averaged \$7.90/cwt above April prices. It looks like this year May will exceed April by less than \$1/cwt. The likely explanation is, of course, the unfortunate misnaming of the latest H1N1 influenza virus. On April 24, the Friday before swine flu became a major news event, cash hog prices averaged \$61.05, the May hog futures contract closed at \$69.00 and June closed at \$72.65. This combination implied a May average cash price of \$66.64/cwt. Today, it looks likely May cash prices will average below \$58/cwt. In the last four weeks, hog producers have received \$120 million less for slaughter hogs than expected. Although the worst impact on daily hog prices is probably behind us, the end of flu-depressed hog prices is nowhere in sight.

USDA's Thursday afternoon calculated pork cutout value was \$59.88/cwt, down \$1.97 from the previous Thursday. Pork loins were higher than the week before but bellies, hams and Boston Butts were lower. At this time last year, the pork cutout was over \$80/cwt. If the cutout value can't stay above \$60, hog prices can't either.

Cash hog prices ended the week sharply lower than the previous Friday. The top price Friday at Zumbrota, MN was \$38/cwt. Peoria had a top of \$34/cwt. The interior Missouri top Friday was \$41/cwt, down \$4.50 for the week. The national weighted average carcass price Friday morning for negotiated hogs was \$54.88/cwt, \$6.74 lower than the previous Friday and \$22.02/cwt lower than a year ago. Regional average prices on Friday morning were: eastern corn belt \$54.89, western corn belt \$54.79, and Iowa-Minnesota \$54.78/cwt.

This week's hog slaughter is estimated by USDA to be 2.057 million head, down 2.1 percent compared to the same week in 2008.

During January-March imports of feeder pigs from Canada were down 28 percent and imports of slaughter hogs were down 37 percent compared to the first quarter of 2008.

The average carcass weight of barrows and gilts slaughtered the week ending May 9 was 200 pounds, 3 pounds heavier than for the same week in 2008. Iowa-Minnesota live weights last week averaged 269.2 pounds, up 6.4 pounds compared to last year and the biggest year-over-year increase since late June 1999.

The June lean hog futures contract ended the week at \$65.97/cwt, down \$0.55 from last Friday. The July contract settled at \$67.57 today, down 1 cent for the week. August closed the week at \$68.62/cwt and October closed at \$63.32/cwt.

Hog producers have lost money 17 of the last 19 months. Today's prices are roughly \$27/head below breakeven. Higher prices are needed soon, or many hog producers will be broke before we get to the end of 2009. Δ

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