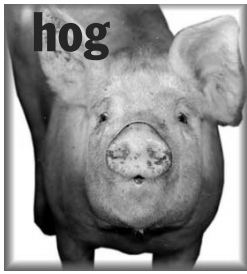


Optimism Mounts For Shipments To China



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outlook

During the first 7 months of 2011, U.S. pork exports were up 15.6 percent and pork imports were down 4.1 percent compared to a year ago. During January-July, we exported 22.1 percent of U.S. pork production and imported an amount equal to 3.6 percent of production. July U.S. pork exports were up 17.9 percent compared to a year ago while July pork imports were down 16.5 percent. July pork imports were the fifth lowest month since 1999. There is optimism about shipments to China. Chinese purchases during July were the largest for any month since June 2008 and more than double that of 12 months earlier.

U.S. feeder pig imports from Canada were down 9.3 percent during July. The number of slaughter hogs imported was down 4.1 percent.

After three weeks with large drops, the pork cutout value had a small decline this week. USDA's Thursday afternoon calculated pork cutout value was \$94.99/cwt, down 36 cents from the previous Thursday. Loins and bellies were lower, butts and hams higher.

The strength of the pork cutout in the last two years has been due in part to the strength of pork belly prices. Normally, pork loins are more valuable per pound than bellies. However, from January 26, 2010 through August 24, 2011 there were only 10 days when wholesale pork loin prices were higher than pork bellies. That has changed. Wholesale loin prices have been

higher than wholesale belly prices for each of the last 10 business days. Yesterday, loins were 7.84 cents per pound higher than bellies. Is the bacon fad coming to an end? Let's hope not.

The national average negotiated carcass price for direct delivered hogs on the morning report today was \$78.98/cwt, down \$3.66 from last Friday and \$23.58 lower than four weeks ago. The Friday morning price report for the western corn belt averaged \$81.80/cwt. Eastern corn belt barrows and gilts averaged \$78.71/cwt of carcass. There was not enough volume in Iowa-Minnesota early this morning for a price report. Friday's top live hog price at Peoria was \$52/cwt. Zumbrot's top was \$59/cwt. The top for interior Missouri live hogs was \$58/cwt, down \$4.25 from the previous Friday.

Because of Monday's holiday for Labor Day, hog slaughter totaled only 2.004 million head this week, down 5.9 percent from last week, but up 4.2 percent compared to the same week last year. Barrow and gilt carcass weights for the week ending August 27 averaged 197 pounds, up 1 pound from a week earlier and also up 1 pound from a year ago. Iowa-Minnesota live weights for barrows and gilts last week averaged 263.5 pounds, unchanged from the week before, but down 3.2 pounds compared to the same week last year. This is the fifteenth consecutive week Iowa-Minnesota weights have been below the year-earlier level.

Today's close for the October lean hog futures contract, \$87.25/cwt, was up \$1.45 from last Friday. The December lean hog contract settled at \$83.57/cwt, up 47 cents from the previous Friday. The February lean hog contract settled Friday at \$89.50/cwt, up \$2.25 for the week. October futures are above current cash hog prices, which is a good sign. Δ

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