

Packers Planning Spring Reduction In Slaughter



GLENN GRIMES AND RON PLAIN
Agricultural Economists •
University of Missouri

outlook

Packers continue to be very aggressive in buying hogs. On Thursday of this week, the base price for hogs in the western Cornbelt was \$60.24 per cwt and pork cutout Thursday afternoon was \$58.70 per cwt of carcass. Most packers are losing money at the current time.

Slaughter continues to run large with last week with a preliminary estimate at 2,228 thousand head. Reports at Pork Forum last week were that there are quite a large number of finishing barns empty. Reports from packers are that we are getting close to the spring reduction in slaughter indicated by the December Hogs and Pigs.

The March 1 Hogs and Pigs report will be released on March 27. We are hoping the breeding herd on March 1 will be down at least as much as it was December 1 from a year earlier. However, our gilt and sow slaughter data indicates the breeding herd on March 11 was down only about two percent. Anywhere between two and three percent down would mean the breeding herd changed very little compared to 12 months earlier with the December number.

If the herd is only down two percent it means there is a high probability for the fourth quarter 2009 slaughter to be close to 2008. Productivity growth of at least two percent is likely through the year.

With retail prices quite high relative to live hog prices, we can run the pork cutout up quite rapidly if we can reduce marketings by five percent or more from current levels. We expect slaughter to reduce enough to push prices to near \$70

per cwt base in carcass in the second quarter and in the low- to mid-70s in the third quarter if demand holds with the most recent estimate for November 2008 through January 2009.

Pork cutout for Thursday afternoon was at \$58.70 per cwt of carcass, up \$3.35 per cwt from a week earlier. Loins at \$74.36 were up \$3.52 per cwt, Boston butts at \$69.12 per cwt were up \$1.69 per cwt, hams at \$49.44 per cwt were up 45.31 per cwt and bellies at \$76.65 per cwt were up \$4.86 per cwt from seven days earlier.

USDA increased their estimated corn carry-over into the 2009-2010 marketing year by 50 million bushels in the March estimate from the February estimate. As a result, the USDA increased their midpoint estimate of corn per bushel to \$4.10 per bushel from \$3.90 per bushel in February, another negative for hog producers.

The average weight for barrows and gilts last week in Iowa-Minnesota jumped to 468.5 pounds, up one pound from a week earlier and up one pound from a year earlier.

Top live hog prices Friday morning were \$1.50-2 per cwt higher compared to a week earlier. The weighted average negotiated carcass prices Friday morning were \$0.50-6 per cwt lower compared to seven days earlier.

The top live prices for select markets Friday morning were: Peoria \$37 per cwt, Zumbrota, Minnesota, \$40 per cwt and interior Missouri \$43.75 per cwt. The weighted average negotiated carcass prices for Friday morning by area were: western Cornbelt \$56.23 per cwt, eastern Cornbelt \$55.94 per cwt, Iowa-Minnesota \$56.09 per cwt and nation \$55.99 per cwt.

Feeder pig prices at United Tel-O Auction this week were \$5-15 per cwt higher than two weeks earlier. All of the pigs at United were between 50 and 60 pounds and sold from \$111-121 per cwt.

Slaughter this week under Federal Inspection was estimated at 2156 thousand head, down 5.3 percent from a year earlier. △



Link Directly To: **BRANDT**



Link Directly To: **SYNGENTA**