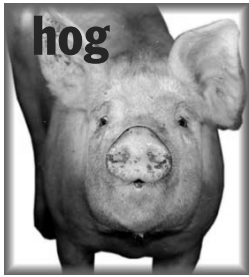


Pork Prices Did Not Keep Up With Inflation Last Year



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outlook

Retail pork prices in June were up 1 percent from May and up 0.8 percent from June 2007. For January-June, retail pork prices were up 1.1 percent from a year earlier. Pork prices have not kept up with inflation during the last year. The Consumer Price Index for all goods and services for January-June is up 4.2 percent from 12 months earlier.

The marketing margin for pork for January-June was up 5.2 percent; the processor-retailer margin was up 4.8 percent for these six months compared to 2007; and the packer margin was up 6.7 percent from 12 months earlier.

Pork producers had a rough first-six-months in 2008 with live hog prices down 6.6 percent and feed prices sharply higher than a year earlier.

Gilt and sow slaughter data indicate producers are reducing the size of the breeding herd. Sow slaughter for the four-week period ending July 12 was up 20 percent after adjusting for herd size. Gilt slaughter for the four-week period ending July 12 was up two percent from a year earlier.

The odds appear low for hog slaughter to drop below year earlier levels before the first quarter of 2009. With continued growth in live hog demand, we believe the hog industry will become profitable again in the second quarter of 2009 even with continued high feed prices.

Cold storage stocks of pork at the end of June

were down 9 percent from a year earlier. The average decline from the end of May to the end of June for the past five years has been 18 percent or double the decline of this year. The market continues to be very strong for pork even with the larger cold storage stocks.

The average live weight of barrows and gilts in Iowa-Minnesota were at 259.6 pounds for the week ending July 19, down 0.9 pound from a week earlier and down 3.4 pounds from a year earlier. These lighter weights are decreasing the increase in total pork production by one percent or more.

Pork product prices were pushed higher again this week by the strong demand. The cutout per cwt of carcass on Thursday afternoon at \$85.07 per cwt was up \$2.40 from a week earlier. Loins at \$100.46 per cwt were up \$0.49 per cwt, Boston butts at \$90.65 per cwt were up \$5.60 per cwt, hams at \$88.06 per cwt were up \$2.31 per cwt, and bellies at \$87.60 per cwt were up \$3.07 per cwt from a week earlier.

With the stronger product prices, packers responded by bidding hog prices higher this week.

Top live hog prices this Friday morning were \$4.50 to \$5.00 per cwt higher than a week earlier. The weighted average negotiated carcass prices were \$2.98 to \$3.14 per cwt higher than seven days earlier.

The top live prices for select markets were: Peoria \$52.00 per cwt, Zumbrota, Minnesota, \$56.50 per cwt, and interior Missouri \$55.75 per cwt.

The weighted average negotiated carcass prices by area were: western Cornbelt \$79.09 per cwt, eastern Cornbelt \$76.77 per cwt, Iowa-Minnesota \$79.17 per cwt, and nation \$77.60 per cwt.

Slaughter this week under Federal Inspection was estimated at 2126 thousand head, up 7.6 percent from a year earlier. Δ