

Pork Prices Reach Record High Last Week, Then Took Drop



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outlook

It looks like the U.S. Country of Origin Labeling law (COOL) may not survive legal challenges from Canada and Mexico. Sources indicate the World Trade Organization (WTO) will be issuing a ruling against COOL later this year. COOL did not appear to impact U.S. hog prices when it was implemented in the spring of 2009 and is not likely to impact them if it goes away.

Both pork cutout and cash hog prices reached record highs last week, then took big drops this week. The national average negotiated carcass price for direct delivered hogs on the morning report today was \$88.19/cwt, down \$3.94 from last Friday. The western corn belt average price this morning was \$87.12/cwt. Neither the eastern corn belt nor Iowa-Minnesota had enough volume early this morning for a market report. Friday's top live hog price at Peoria was \$61/cwt. Zumbrot's top was \$62/cwt. The top for interior Missouri hogs was \$62.25/cwt, down \$2.25 from the previous Friday.

The pork cutout value took a sharp drop this week. USDA's Thursday afternoon calculated pork cutout value was \$89.75/cwt, down \$6.86 from the previous Thursday. Hams, loins, butts, and bellies were all lower. This morning's national average hog carcass price equaled 98 percent of the pork cutout value. That is unsustainably high. Hopefully, good meat

movement over the 3-day weekend will deplete grocery store meat counters and boost cutout values next week. Otherwise, hog prices are going lower. Since very few hogs will be slaughtered on Monday, packers should find it easier to buy their planned total for the week.

Hog slaughter totaled 2.031 million head this week, up 0.5 percent from the week before and up 5.0 percent compared to the same week last year. Year-to-date hog slaughter is down 0.9 percent, but due to heavier weights year-to-date pork production is up 1.2 percent.

Barrow and gilt carcass weights for the week ending May 14 averaged 204 pounds, the same as a week earlier and 3 pounds heavier than a year ago. Iowa-Minnesota live weights for barrows and gilts last week averaged 270.9 pounds, up 0.1 pounds from the week before and also up 0.1 pounds compared to the same week last year. This is the closest Iowa-Minnesota weights have been to the year-ago level since September.

The June lean hog futures contract ended the week at \$88.92/cwt, down \$3.05 from the previous Friday. The July contract settled Friday at \$88.60/cwt, down \$3.72 for the week. August hogs settled at \$90.22. Five weeks ago these three contracts were all above \$100/cwt.

USDA's latest crop progress report estimates 79 percent of the corn acres were planted by May 22, down from 92 percent planted on that date last year and a 5-year average of 87 percent planted. Only 11 percent of the Ohio corn crop has been planted. The July corn futures contract lost 1 cent this week to end at \$7.585/bushel. September corn settled at \$7.2825 and December corn ended the week at \$6.84/bushel, up 18 cents from last Friday. Δ

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