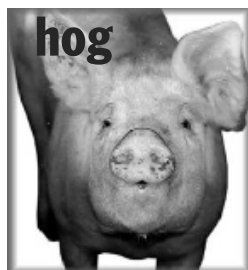


Pork Production Expected Higher In 2012



GLENN GRIMES AND RON PLAIN

Agricultural Economists •
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outlook

USDA's January World Ag Supply and Demand Estimates report (WASDE) was noted for its larger-than-expected estimate of 2011 corn production and 2012 ending stocks. March, May and July corn futures were down the limit on Thursday.

The report also raised USDA's estimate of 2011 and 2012 pork production. USDA is now forecasting that 2012 pork production will be up 1.9 percent from 2011. They are forecasting 2012 hog prices to average only \$1 lower than in 2011, thanks in large part to a forecasted 2.8 percent drop in the production of competing meats. Beef production is expected to be down 4.7 percent and broiler production down 2.0 percent compared to 2011. Red meat and poultry consumption in 2012 is forecast to be 199.1 pounds per person, the lowest since 1991.

The futures market is predicting 2012 corn prices will average close to \$6 per bushel. That should yield a

breakeven hog price of \$65/cwt (live) or \$86/cwt (carcass). Lean hog futures are predicting hog prices will average \$87/cwt this year, just enough for a small profit.

The U.S. is reopening to pork shipped from the state of Santa Catarina in Brazil. This is not likely to have a measurable impact on the market. Thus far this century, the biggest pork imports from Brazil were in March 2008 when 0.4 percent of U.S. pork imports came from that country.

Hog prices were steady to \$2 higher this week. The national average negotiated carcass price for direct delivered hogs on the morning report today was \$82.63/cwt, up \$2.19 from last Friday. The morning price quotes for both the western corn belt and Iowa-Minnesota were \$84.47/cwt. The eastern corn belt averaged \$81.60/cwt this morning. Friday's top live hog price at Peoria was \$57.50/cwt. Zumbrota, MN had a top of \$57/cwt. The top for interior Missouri live hogs

was \$60/cwt, the same as the previous Friday.

USDA's Thursday afternoon calculated pork cutout value was \$84.11/cwt, down 22 cents from the previous Thursday. Loins, hams and butts were lower; bellies were higher. This week's pork cutout is the lowest since this time last year. Are packer margins tight? The western corn belt hog price this morning was higher than the pork cutout value.

Hog slaughter totaled 2.212 million head this week, up 7.2 percent from the week before and up 4.0 percent compared to the same week last year. Barrow and gilt carcass weights for the week ending December 31 averaged 207 pounds, up 3 pounds from the week before and up 1 pound from a year ago. Iowa-Minnesota live weights for barrows and gilts last week averaged a record 278 pounds, up 0.1 pound from the week before and up 3.3 pounds compared to last year.

Today's close for the February lean hog futures contract, \$85.60/cwt, was up \$1.70 from the previous Friday. The April lean hog futures contract settled at \$87.05/cwt, down 70 cents for the week. May hogs settled at \$94.85/cwt. June hogs ended the week at \$96.10/cwt. Δ

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