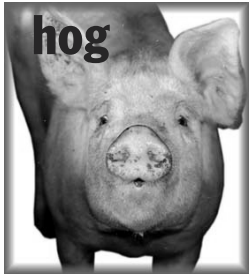


Reduced Breeding Herd Might Bring Supply-Demand in Line



GLENN GRIMES AND RON PLAIN

Agricultural Economists •
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outlook

We did not have good news to give pork producers at the World Pork Expo this week. The breeding herd will probably have to be reduced 5-10 percent to get supplies in line with demand so that hog prices will be at or above cost of production.

The problem in the stressful financial phase of this cycle has not been due to demand or low prices. Hog prices in 2008 were above 2007. The problem has been cost. In 2008 live hog prices were \$2.60 per cwt above the 13-year average, but hog production costs were \$13.85 per cwt above the 13-year average of 1996 to 2008.

Demand, up until May of this year, has not been a problem in this cycle with consumer demand for January-April up some. However, with the H1N1 flu, pork demand based on pork cutout is weak. How long it will take to recover from this flu situation is not very predictable.

Sow slaughter for the week ending May 23 was still down 11.3 percent from the same week last year. For the four-week period ending May 23, sow slaughter was down 11.2 percent. Gilt slaughter in the last three months has been running high. However, we doubt the breeding herd has been changed very much in the last three months. Our estimate is that the breeding herd on June 1 was down two percent from a year earlier.

At the expo, we visited with some sow killers and the reports are that the sow slaughter is up this week and packers are getting more than

normal piggy- sows. We certainly hope we have started a bigger decline in the sow herd and that it continues for quite some time.

Pork product prices were pushed lower again this week with the cutout Thursday afternoon at \$57.09 per cwt, down \$2.57 per cwt from a week earlier. Loins at \$73.64 per cwt were down \$6.16 per cwt, Boston butts at \$56.72 per cwt were down \$4.65 per cwt, hams at \$45.92 per cwt were up \$5.53 per cwt and bellies at \$66.51 per cwt were down \$10.78 per cwt as compared to seven days earlier.

Live hog prices Friday morning were \$0.50 higher to \$2.00 per cwt lower compared to a week earlier.

Weighted average negotiated carcass prices Friday morning were \$3.31 - \$4.34 per cwt lower than seven days earlier. The top live prices Friday morning for select markets were: Peoria \$33 per cwt, Zumbrota, Minnesota, N/A and interior Missouri \$40 per cwt. The weighted average negotiated carcass prices Friday morning by area were: western Cornbelt \$55.03 per cwt, eastern Cornbelt \$52.84 per cwt, Iowa-Minnesota \$55.03 per cwt and nation \$53.39 per cwt.

Slaughter this week under Federal Inspection was estimated at 2100 thousand head, down 0.4 percent from a year earlier.

National feeder pig prices last week were lower than a week earlier. Ten-pound-basis pigs at \$28.19 per head were down \$0.99 per head and 40-pound-basis pigs at \$34.54 per head were down \$0.54 per head from seven days earlier.

Pigs at United Tel-O-Auction this week were steady to \$3 per cwt higher than two weeks earlier. All of the pigs at United this week weighed between 50-60 pounds per head and sold from \$97-114 per cwt. Δ

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