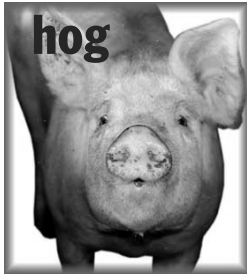


Reductions Fail To Solve Pork Industry Problems



GLENN GRIMES AND RON PLAIN

Agricultural Economists •
University of Missouri

outlook

Two pork producers have announced a reduction of 47,000 sows over the next several weeks. Smithfield says they will sell 27,000 sows that are in the Texas Panhandle. Tyson is liquidating 20,000 sows from Arkansas and Missouri.

This will help, but is not nearly enough reduction to solve the problem of the hog industry. These 47,000 sows amount to 0.78 percent of the current breeding herd. With production growth of 2-3 percent in recent years the herd needs to be reduced an additional 7-10 percent from the June level. As we have stated many times it is difficult to reduce the sow herd with the high investment per sow most producers have and the hog enterprise as important as it is in most operations.

With the good rains over much of the corn producing states and the larger plantings, the cost of production of hogs has been reduced substantially. However short of \$2 corn and \$180-200 per ton soybean meal these are still substantial losses in hog production unless a producer used the futures market to price most of his production.

Feeder pig prices nationally last week were \$1-3 per head higher than a week earlier.

Early weaned pigs ten-pound-basis averaged \$25.92 per head. Pigs weighing 40 pounds sold for \$23.56 per head. The ten-pound-basis pigs sold on a formula average of \$34.40 per head and formula-priced 40-pound pigs averaged \$48.46 per head. Ten-pound-basis pigs on the spot or cash market sold for \$14.66 per head. Pigs weighing 40 pounds spot price were \$22.92

per head.

Retail pork prices in June at \$2.954 per pound were the same as May but up 0.7 percent from June of 2008. For January-June retail pork prices were up three percent from the same months a year earlier.

The pork processor and retailer margin for January-June was up 10.2 percent, and they were the only segment of the industry that gained from the higher retail prices. The packers' margin for these six months was down 6.7 percent from 12 months earlier and live hog prices were down 7.9 percent in January-June of 2009 compared to 2008.

Pork cutout Thursday afternoon at 64.85 per cwt was up \$0.93 per cwt from a week earlier. Loins at \$83.60 per cwt were up \$2.79 per cwt, Boston butts at \$60.01 per cwt were down \$5.89 per cwt, hams at \$52.52 per cwt were down \$0.26 per cwt and bellies at \$82.35 per cwt were up \$2.16 per cwt from seven days earlier.

Live barrow and gilt weights last week in Iowa-Minnesota averaged 266.2 pounds, up 1.3 pounds from a week earlier and up 6.6 pounds from a year earlier. This is probably a combination of good growing weather and packers reducing slaughter in order to increase the cutout value.

The top live hog prices Friday morning were \$0.50 - 2.00 per cwt higher compared to a week earlier. The weighted average negotiated carcass prices were \$0.75 - 1.53 per cwt higher compared to seven days earlier. The live prices Friday morning were: Peoria \$37 per cwt, Zumbrota, Minnesota, \$40 per cwt and interior Missouri \$41.50 per cwt. The weighted average carcass negotiated prices by areas were: western Cornbelt \$57.85 per cwt, eastern Cornbelt \$57.01 per cwt, Iowa-Minnesota \$57.54 per cwt and nation \$57.14 per cwt.

Slaughter this week under Federal Inspection was estimated at 2030 thousand head, down 4.7 percent from a year earlier. Δ

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