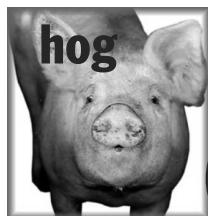


Some Liquidation Reported From Hog Operations



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outlook

The number of hog operations continues to decline in both Missouri and the U.S. On January 1, the number of operations in Missouri was five percent below a year earlier and in the U.S. the number was 0.5 percent below the same date in 2007.

We continue to hear about a few hog operations selling sows. The three week gilt data through the week ending February 2 is at a level to suggest some liquidation. Sow slaughter for the four weeks ending January 26 was up 3.2 percent after adjusting for herd size. However, unless we sell a bunch of piggy sows, the level of hog slaughter is likely to continue above a year earlier through most or all of 2008.

We are hearing reports of some bad outbreaks of PRRs but we have that occurring most winters.

The futures market continues to slow more than normal seasonal price increases this year. In mid week, the futures market was at a level to provide between a \$55 and \$56 per cwt live price for the next year. Unless hog slaughter is sharply lower than now indicated or we have spectacular growth in demand, live hog prices in 2008 are likely to average in the low 40's live.

Our concern is that the future market indicated prices may provide signals that the hog herd does not need to be downsized much, if any, from the current level of production.

The average weight of barrows and gilts in Iowa-Minnesota for the week ending February 2nd was down 0.3 pound from a week earlier but up 1.3 pounds from a year earlier. There is much uncertainty about whether hog producers will reduce market weights this year due to the high priced feed. Reducing weights by 4-5 pounds per head would be a relatively quick way to reduce production about two percent.

However, producers would need to speed up marketings enough to pull about two days slaughter ahead. This would add to the already large supplies available now.

The cutout per cwt of carcass Thursday afternoon at \$60.80 per cwt were down \$0.18 per cwt from seven days earlier, loin at \$73.15 per cwt were up \$0.01 per cwt, Boston butts at \$57.53 per cwt were down \$2.18 per cwt, hams at \$52.51 per cwt were up \$0.30 per cwt and bellies at \$78.31 per cwt were up \$0.10 from a week earlier.

Live hog prices this Friday morning were \$2.00-3.00 per cwt higher compared to Friday last week. The weighted average carcass negotiated prices were up \$1.94-2.28 compared to last Friday.

The top live prices Friday morning showed Peoria at \$34.00 per cwt, St. Paul \$40.00 and Interior Missouri \$39.50 per cwt. The weighted average carcass price by area Friday morning were: western Cornbelt \$55.59 per cwt, eastern Cornbelt \$55.02, Iowa-Minnesota \$55.32 per cwt and nation \$55.17 per cwt.

Slaughter this week under Federal Inspection was estimated at 2210 thousand head, down 2.6 percent from a week earlier and up 12.9 percent from a year earlier. Δ