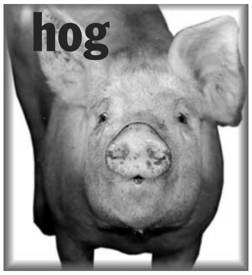
Tight Per Capita Pork Supply Spurs Retail Prices



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outlook

Grocery store pork prices during September were record high for the fifth consecutive month. The average price of pork at retail last month was $3.30 per pound, up 6.8 cents from August and 39.4 cents higher than in September 2009. The average hog price was a bit lower in September than August pushing the pork marketing margin to its highest level since August 2009.

The record retail pork prices appear to have more to do with a tight per capita pork supply than with stronger demand. The domestic pork demand index is still below the year-ago level. However, the live hog demand index is higher this summer thanks to a large increase in export demand for pork.

The record retail pork prices this summer may be slowing sales volume which could be one of the reasons that hog prices have been dropping so fast this month. USDA's Thursday afternoon calculated pork cutout value was $76.76/cwt, down $4.49 from the previous Thursday. Loins, butts, hams and bellies were all lower.

Like the cutout value, hog prices were lower this week. The national weighted average carcass price for negotiated hogs Friday morning was $62.47/cwt, down from $64.35/cwt the previous Friday. Regional average prices on Friday morning were: eastern corn belt $61.07, western corn belt $64.58, and Iowa-Minnesota $64.75/cwt. The top live hog price Friday at Sioux Falls was $45/cwt. The top at Peoria was $41.50/cwt. The interior Missouri live top Friday was $45.25/cwt, down from $47.50 last Friday.

The year started with hog prices below breakeven and it looks like it may end that way. Given current feed costs, a hog carcass base price of roughly $67/cwt is needed to cover all costs for the typical producer. There is reason to hope for hog prices to rebound before the end of 2010, but they may not outpace the run up in feed cost.

The primary reasons for this month's hog price drop are the rapid increase in daily hog slaughter and slaughter weights. September hog slaughter was 6 percent below year-ago. It looks like October slaughter will be within 2 percent of last year. Hog slaughter totaled 2.331 million head this week, up 3 percent from the week before and up 0.3 percent compared to slaughter during the same week last year.

The average carcass weight of barrows and gilts slaughtered the week ending October 9 was 202 pounds, up 1 pound from the week before and 2 pounds heavier than a year ago. Iowa-Minnesota live weights last week averaged 274 pounds, up 4.9 pounds compared to a year earlier and a new record high for this data series. The old record of 273.8 pounds was for the week ending January 7, 2006.

The December lean hog futures contract ended the week at $70.65/cwt. The February contract ended the week at $75.92/cwt. Δ

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