

Daily Livestock Report

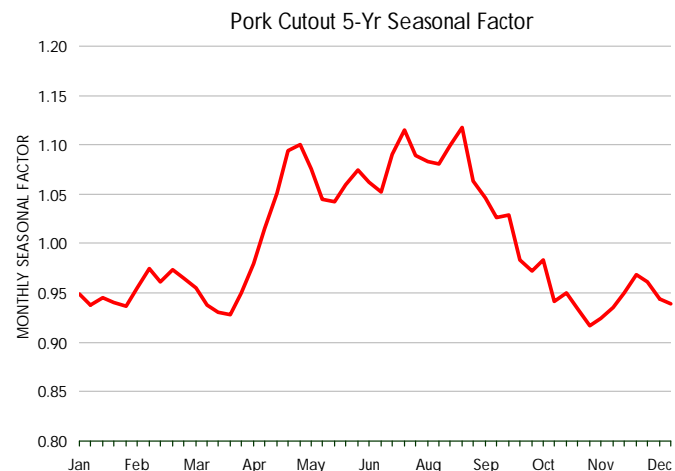
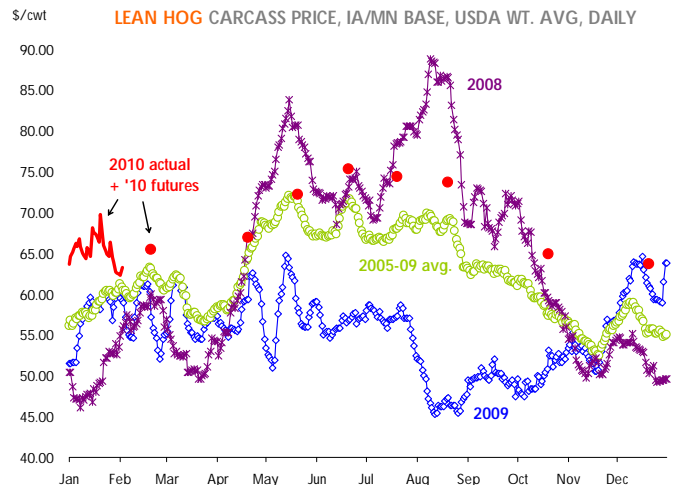
Vol. 8, No. 22/ February 3, 2010

Market Comments

CME Lean Hog futures closed higher on Tuesday, halting the seven day slide which shaved more than \$6/cwt from the nearby contract. Much of the decline was due to lower cutout and cash hog values. Markets were buoyed by reports of higher prices paid for hogs. USDA on Tuesday quoted the IA/MN lean hog carcass (wt. avg) at \$63.2 /cwt, \$0.8 higher than the previous day (see chart). Even more important than the recovery in hog carcass prices was the surge in pork cutout values. We have noted several times in this report that wholesale pork prices have been leading the market for several months and they continue to set the tone. USDA on Tuesday pegged the pork cutout at \$69.47 /cwt, \$1.88 /cwt higher than the previous day and some \$12.5/cwt or 22% higher than a year ago. The gains in the wholesale pork market are broad based. Here's how the pork cutout components performed compared to the previous day's levels (thus boosting cutout values) :

Loins: up 3.5% vs. Monday, 9.0% vs. year ago
Butts: 5.7% vs. Monday, 8.3% vs. year ago
Picnics: 0.6% vs. Monday, 21.2% vs. year ago
Ribs: -0.9% vs. Monday, 19.1% vs. year ago
Hams: 5.7% vs. Monday, 36.0% vs. year ago
Bellies: -0.2% vs. Monday, 24.5% vs. year ago

Ham values should benefit in the short term from improving demand going into the Easter. Higher ham prices are responsible for a significant part of the current surge in the overall cutout, up to now benefiting from strong export demand and likely finding additional strength from the seasonal pickup in domestic demand. One negative for the pork market remains the ongoing stalemate with Russia on broiler exports. There are some indications that broiler products are backing up and if that situation persists, it could negatively impact not just the broiler market but pork prices as well. Pork loin prices will likely be the first to be impacted. So far, loin values have held up well and are running about 9% higher than a year ago. Even at current levels, pork loins still present value for retailers but that equation could change should we see a collapse in the broiler market.



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