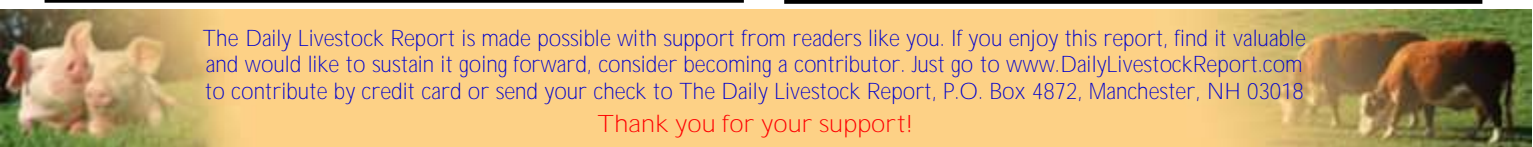
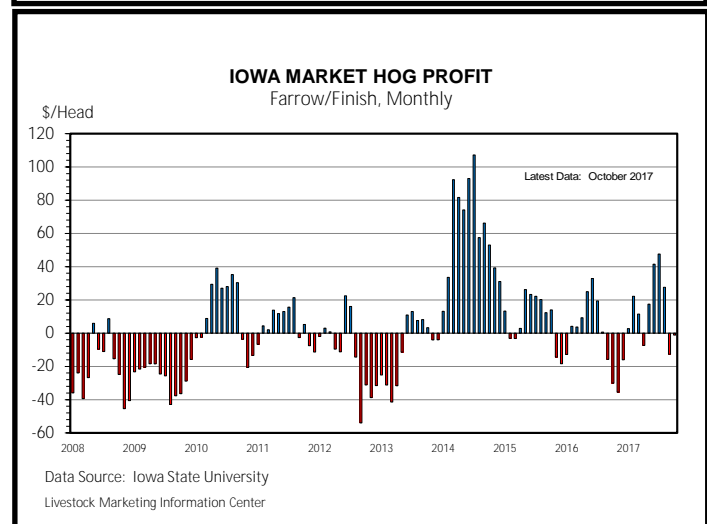
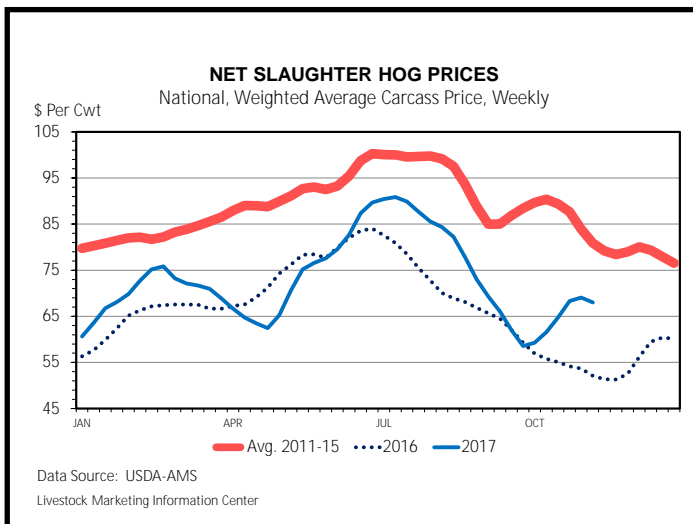
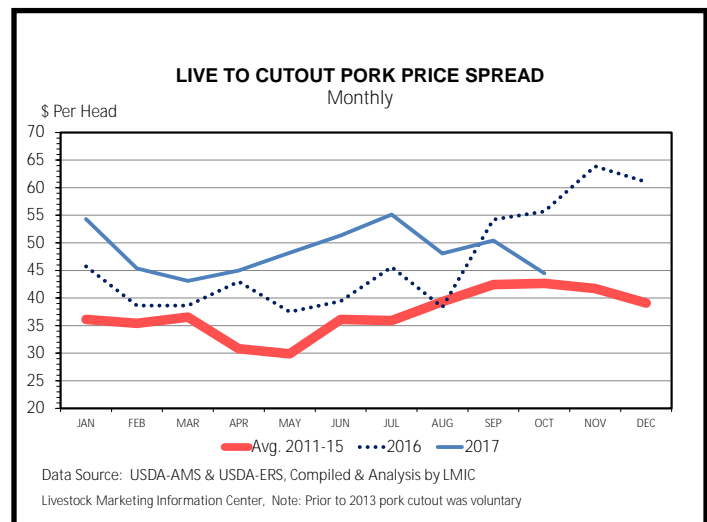


Slaughter hog prices had increased for four consecutive weeks until the past week when they moderated slightly. Since late September, the national average net carcass price reported by USDA's Agricultural Marketing Service (Market News Division) has risen \$9.26 per cwt. (up 16%). During the last two weeks, the average price was \$68.55 per cwt., which was \$15.65 or 23% above a year ago. So, for a 200-pound hog carcass that's a year-over-year increase of over \$31.00 per animal.

A significant contributor to higher hog prices has been competition for animals. That is, additional slaughter capacity has become available as new packing plants have ramped-up, resulting in more aggressive bidding to procure slaughter-ready hogs. As depicted in the second graphic, the live to cutout spread, or gross packer margin (estimated by the Livestock Marketing Information Center) in October was \$11.18 per head below 2016's. For the first two weeks of November, that margin was \$18.35 per head below a year ago. (As a reminder, much of the huge margins in late 2016 were attributed to limited slaughter capacity relative to hogs ready for harvest.) In recent weeks, nearly 60% of the gain in slaughter hog prices was attributable to year-over-year drops in packer margins.

For hog producers, higher hog prices than a year earlier have improved profitability. As calculated by Iowa State University (ISU), slaughter hogs sold in October by farrow-to-

finish operations posted some red ink (-\$1.18 per head). That was much better than September's -\$12.68 per head. For hogs sold in October, ISU showed feedstuff costs were lower than 2016's (down \$4.40 per head). Year-over-year declines in feedstuff costs are expected to continue and will combine with higher hog prices to pull returns back into the black beginning this month. Profits this month will be in stark contrast to -\$35.52 per head that ISU estimated for November 2016. For more details on the ISU profitability estimates the link is [here](#).



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