

# Limited expansion diminishes hog profits



**D**ESPITE profits in 2011, pork producers appear to be holding the line on expansion. That's wise.

Producers are still stinging from large financial losses in 2008 and 2009. Crop damage in South America, tight old-crop U.S. corn stocks and 2012 growing-season weather create ample uncertainty about feed prices going forward.

Chris Hurt, a Purdue University Extension economist, projects 2012 hog profits at just \$4 per head for 2012. "This compares with estimated profits of \$14 per head last year," he says.

Hurt's early look toward 2013 suggests modest continued expansion of pork production, with somewhat lower hog prices. He expects feed costs to moderate, with estimated total costs dropping to about \$60 per live cwt., compared with \$63 per live cwt. in 2012.

"One thing is sure," he says. "The U.S. pork industry's production cost structure has changed significantly from around \$40

## Hog Outlook

By JOHN OTTE

per live cwt., during the \$2-a-bushel corn era, to closer to \$60 now."

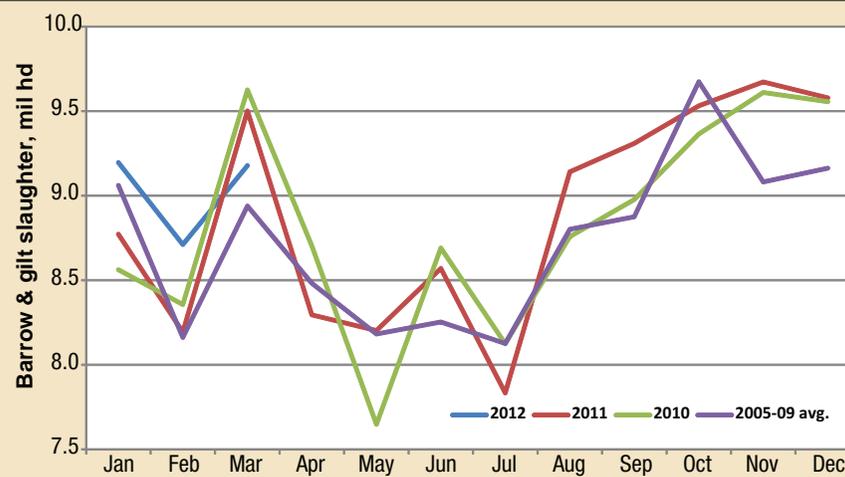
Consumer reactions to the lean finely textured beef situation weighed on cash-hog and futures prices. Hopefully, that issue will receive less attention, thereby paving the way for a stronger finish to the grilling season.

Hurt expects hog prices to average in the upper \$60s through 2012's third quarter, and then drop seasonally to near \$60 in the fourth quarter and first quarter of 2013. He expects spring and summer 2013 prices to be in the mid-\$60s.

### Demand should hold firm

This year's pork supplies will be up about 2% from 2011. Hurt expects demand to absorb the modest rise. Exports remain

## Lagging demand in March offsets decline in slaughter to let hog prices drift lower



SOURCE: USDA NATIONAL AGRICULTURAL STATISTICS SERVICE

crucial to demand. USDA analysts expect pork exports to top last year's torrid pace by about 2%.

Hurt thinks domestic demand should remain strong, due to the population increasing nearly 1% and some consumers selecting pork as an alternative to high-priced beef. Beef availability will drop to just 55 pounds per person this year, compared with 65 pounds five years ago.

Consumer beef prices are expected to rise nearly 7% this year from last year, to \$5.15 per pound as an average across cuts. Pork prices, on the other hand, will rise

modestly and be priced about \$3.45 per pound. That will draw some attention away from beef purchases.

Spring-quarter farrowing intentions down 1% and summer-quarter farrowing intentions down 2% suggest producers are holding the line on expansion.

However, Hurt thinks continued increases in the number of pigs per litter may well boost pork supplies by about 1% in the fall of 2012 and early 2013.

Otte is the farm management editor for Farm Futures magazine. See www.FarmFutures.com.

## Pork exports on record pace

**U**.S. pork exports finished the first quarter of 2012 8% higher in volume (598,058 metric tons) and 20% higher in value (\$1.66 billion) than last year's record pace, according to USDA and the U.S. Meat Export Federation.

At the same time, the value of beef exports for the quarter rose 4%, to \$1.25 billion, on 10% lower volume (266,388 metric tons).

March pork export volume of 198,972 metric tons was 8% lower than a year ago, but up 6% from this February. Export value of \$570.5 million was 3% higher than last year and up 8% from February. These results were led by excellent growth in the China/Hong Kong region and strong performance in Mexico, Japan and Canada.

Beef export volume of 89,803 metric tons in March was 23% lower than last year but up 3% from February. March export value of \$438.5 million was down 8% year-over-year but was 7% higher than the previous month.

"A 20% increase in pork export value for the first quarter is extraordinary, espe-

cially considering the record performance of last year," says USMEF President and CEO Philip Seng. "On the beef side, market access issues and price sensitivity are making volume growth difficult in some markets, but we are pleased to see export value remaining above last year's record pace, even on smaller volumes."

March pork export value was particularly strong on a per-head-slaughtered basis, reaching \$59.92. This was nearly \$4 higher than a year ago and set a monthly record, surpassing the previous high of \$59.53 set in November 2011. Exports equated to 27.8% of total U.S. production of muscle cuts plus variety meat, and 24% when including muscle cuts only.

March beef export value equated to \$204.65 per fed steer and heifer slaughtered, down slightly from the March 2011 total of \$205.40. Beef exports accounted for 12% of total U.S. production when including both muscle cuts and variety meat, and 9% for muscle cuts only. These ratios were lower than a year ago.

Source: USMEF

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