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Pork prices, costs to soar in 2011: analyst

By Rita Jane Gabbett on 1/5/2011

Hog and pork prices are expected to hit record highs in 2011, due to smaller per capita U.S. supplies, much stronger demand driven by recovering U.S. and world economies, and the inflationary policy of the U.S. Federal Reserve, according to Purdue University Extension Economist Chris Hurt.

In an outlook report, Hurt predicted live hog prices in 2011 will exceed $60 per live hundredweight, or over $80 on a lean basis. He noted that while historically $90 lean prices, or about $67 live, were the top of futures markets, some current futures prices now exceed $90 for the spring and summer delivery contracts and raise the possibility of them reaching $100, or $75 live.

These record prices, however, will be overshadowed by record costs of production, warned Hurt. He put estimated costs for 2011 at $60.50 per hundredweight, based on average corn prices of $5.75 per bushel and soybean meal at $363 per ton.

Per capita pork supply in the United States is expected to drop by 3 percent in 2011 as pork exports rise by 10 percent, elevating pork exports to 21 percent of domestic production, said Hurt. “This will be the foundation for record retail pork prices as there will be less pork available at a time when U.S. consumer’s economic conditions are improving.”

He also pointed to Federal Reserve policy of quantitative easing (QE2), which he said should be considered as a stimulator of commodity prices. Since the FED announced their policy in late-August 2010, commodity prices have moved up, but meats have lagged in those increases.

“While each commodity has its own supply and demand situation, this may be an indicator that the full bullish impact of QE2 is yet to come to the meat complex,” said Hurt.

Hog prices are expected to rise from the current low-$50s into the higher-$50s by late February and March, he predicted. Prices are expected to march toward the higher-$60s in late-May and June. The spring and summer quarters are expected to provide profitable production before sliding back to break evens in the mid-$50s for the last quarter of the year.