

Pork prices promise a happy new year for producers, processors By [Lisa M. Keefe](#) on 11/24/2011

USDA's projections for the pork business through the end of the year should have most producers and processors popping the champagne come Jan. 1.

Prices that are more than 30 percent higher than a year earlier, despite a slight increase in slaughter numbers, speak to growing domestic demand for pork products, according to USDA's monthly Livestock Dairy Poultry Outlook Report for November. Significantly higher beef prices also are helping domestic pork demand. Meanwhile, rising pork export volumes — supported by the cheap dollar — mean that the tighter supplies and higher prices are expected to continue into 2012.

Specifically, ERS projects that fourth-quarter hog prices will be \$64 to \$66 per hundredweight, about 30 percent above the same period last year. Commercial pork production is expected to be about 6.1 billion pounds, about a half a percent below 2010's fourth-quarter production levels. While feed costs also are relatively high, USDA expects that hog producers' fourth-quarter 2011 feed cost spread will likely be positive.

The picture is far different from a typical fourth quarter in the pork industry, when lower prices tend to produce seasonal operating losses.

Meanwhile, USDA reports that in the third quarter, almost 23 percent of U.S. commercial pork production to foreign markets, compared with about 18 percent in the third quarter of 2010, and almost 7 percent in the third quarter of 2000.

The largest overseas market for U.S. pork products in September was Japan, followed by China, Mexico and Canada. Beyond the value of the dollar, ERS notes that demand from China was spurred by inflation and disease problems at home, while exports to South Korea were helped by disease problems in that country, as well.