

Hog Profits Narrow as Corn Price Risks Rise

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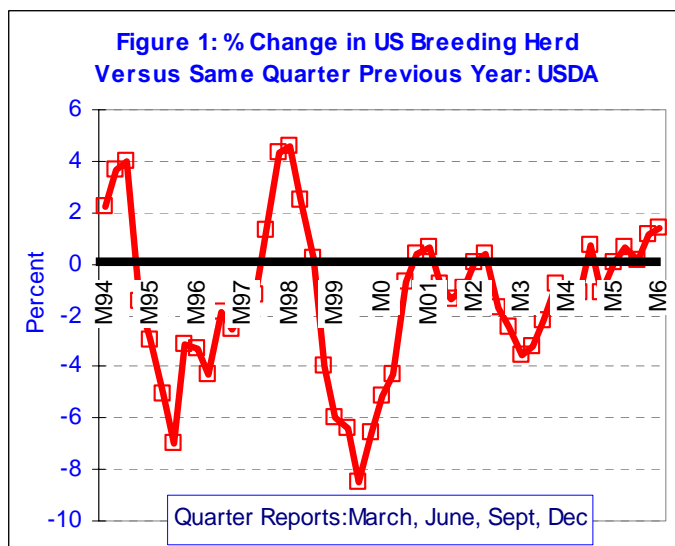
After two years of notable profits, hog producers have started to worry about eroding hog prices and rising risk of higher corn prices. Estimated hog profits averaged about \$23 per head in 2004, and almost \$27 per head in 2005. However, for this year, the black ink is expected to be closer to \$10 per head and could reach near breakeven at times this fall and winter.

A small increase in the U.S. breeding herd is going to increase production by a larger percentage because of growth in the number of pigs per litter and higher marketing weights. In addition, Canadian imports of live hogs are expected to increase by at least five percent this year after being down in 2005.

Hog prices averaged about \$50 for 51% to 52% lean carcasses on a liveweight basis in 2005, but are expected to drop almost 12 percent this year to average closer to \$44. The lower prices will result from a combination of a three percent increase in pork production, but also from competition from larger beef and poultry supplies, and from wider marketing margins, especially at the retail level.

Profits will be squeezed by lower hog prices and rising corn prices. The magnitude of the corn price increase will be driven by massive demand growth for ethanol production and by weather uncertainty. Even with normal yields in 2006, the escalated corn production costs and the expected continued rapid growth in ethanol use means that hog producers are on a collision path with higher corn prices either in the 2006/07 marketing year or in the 2007/08 marketing year.

The Numbers

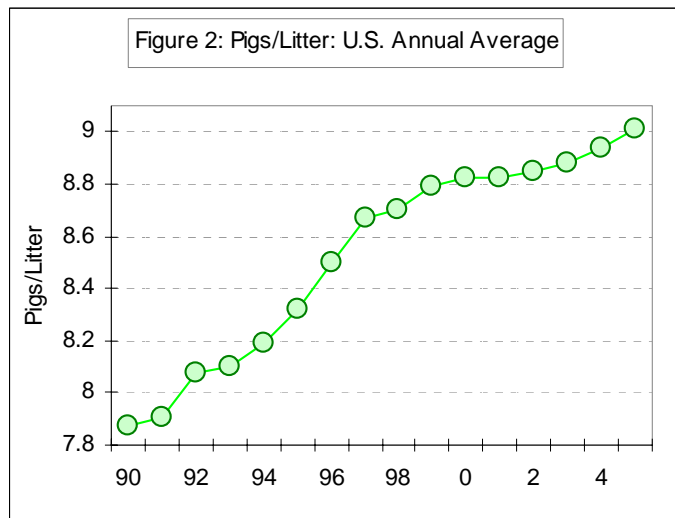


After a long period of strong profitability dating back to the spring of 2004, producers in the U.S. have expanded the breeding herd, but just a bit according to USDA in the March *Quarterly Hogs and Pigs* report. The number of animals in the breeding herd rose by 1.4 percent in the March report compared to the previous year as shown in Table 1. Given the very strong profits, this was a modest increase, but was the largest increase in the sow herd since

1998 as shown in Figure 1. That figure also demonstrates how the industry has become more stable this decade. You will note that in the 1990's, as shown on the left side, that the breeding herd swung from contractions of eight percent and expansions of four percent across a cycle. However, this decade, those swings have been from a four percent decrease to only a bit over a one percent increase, as shown on the right hand side of the Figure.

The number of sows has increased by 84,000 in the past year. The largest increases were in Iowa (+20,000); Indiana (+20,000); and Missouri (+15,000). Colorado, Kansas, North Dakota, and North Carolina each had an expansion of 10,000 sows. Most of the other 17 states that reported numbers in this report were stable. Some follow through toward larger breeding herd numbers can likely be anticipated for the remainder of 2006. I would anticipate those increases to remain modest, say around a two percent expansion, but this will still mean hog prices could be close to breakeven for 2007.

The market herd was up only .6 percent on the March 1 inventory date. Farrowings last



winter were up only .2 percent and farrowing intentions for this spring and summer are up only .5 percent and .2 percent. Added to these small increases in farrowings is the continued record setting level of pigs per litter. In 2005, pigs per litter in the U.S. reached 9.0 for the first time.

Since 1990, the average compound growth rate in pigs per litter has averaged .9 percent per year. However, you can see from Figure 2 that the rate of

increase was sharp from 1990 to 1999, but flattened out in the 1999 to 2002 period.

However, that rate of increase has seemingly escalated once more since 2002 and is likely to add about .7 to .8 percent per year in the near future.

Pork Supplies and Prices

Estimated pork supplies are shown in Tables 3 and 4 and a summary is provided below. For 2005, pork production was 20.7 billion pounds about a one percent increase from 2004. Current estimates are for pork production to grow by 2.8 percent in 2006 to a record 21.3 billion pounds. The nearly three percent increase in pork production when the breeding herd is up only one percent results from the increased pigs per litter (about +.7%), higher marketing weights (about +.7%) and an expected increase in the number of pigs imported from Canada (about +.4%).

The Canadian hogs bear special mention. Numbers of live hogs imported from Canada have been growing. In 2004 we reached imports of 8.5 million head from Canada, however, this dropped to 8.2 million in 2005. So far this year, Canadian live hog imports are back to their upward trend. Young pig imports to be finished in the U.S. are up 15 percent as of early April compared with a similar time period in 2005, and market hogs coming primarily for slaughter are up two percent. Sow numbers in Canada are nearly unchanged, however, there is an anticipation that Canadian slaughter will be lower this year and therefore more pigs will come to the U.S. both for finishing and for slaughter. Current estimates are for the U.S. to import about 400,000 more live animals this year compared to last year, or an additional .4 percent of our total U.S. slaughter. If so, Canadian live imports will reach a record 8.6 to 8.7 million head.

| PRODUCTION | | | | Percent |
|-------------------|---------|-------------------------|------------------------|---------|
| Year | Quarter | Production Million#s | Change vs. Year-ago | |
| 2004 | I | 5,130 | 4.7% | |
| | II | 4,897 | 3.3% | |
| | III | 5,046 | 5.0% | |
| | IV | 5,435 | -1.2% | |
| | Year | 20,508 | 2.8% | |
| 2005 | I | 5,136 | 0.1% | |
| | II | 5,022 | 2.6% | |
| | III | 4,999 | -0.9% | |
| | IV | 5,525 | 1.7% | |
| | Year | 20,682 | 0.8% | |
| 2006 | I | 5,315 | 3.5% | |
| | II | 5,091 | 1.4% | |
| | III | 5,185 | 3.7% | |
| | IV | 5,670 | 2.6% | |
| | Year | 21,261 | 2.8% | |
| 2007 | I | 5,368 | 1.0% | |

| PRICES | | | | Liveweight | Percent |
|---------------|---------|------------------|------------------------|------------|---------|
| Year | Quarter | Price \$/cwt. | Change vs. Year-ago | | |
| 2004 | I | \$44.18 | 24.9% | | |
| | II | \$54.91 | 28.8% | | |
| | III | \$56.58 | 31.9% | | |
| | IV | \$54.35 | 47.3% | | |
| | Year | \$52.51 | 33.1% | | |
| 2005 | I | \$52.24 | 18.2% | | |
| | II | \$52.09 | -5.1% | | |
| | III | \$50.51 | -10.7% | | |
| | IV | \$45.54 | -16.2% | | |
| | Year | \$50.10 | -4.6% | | |
| 2006 | I | \$42.41 | -18.8% | | |
| | II | \$46.33 | -11.1% | | |
| | III | \$45.55 | -9.8% | | |
| | IV | \$42.53 | -6.6% | | |
| | Year | \$44.21 | -11.8% | | |
| 2007 | I | \$42.30 | -0.3% | | |

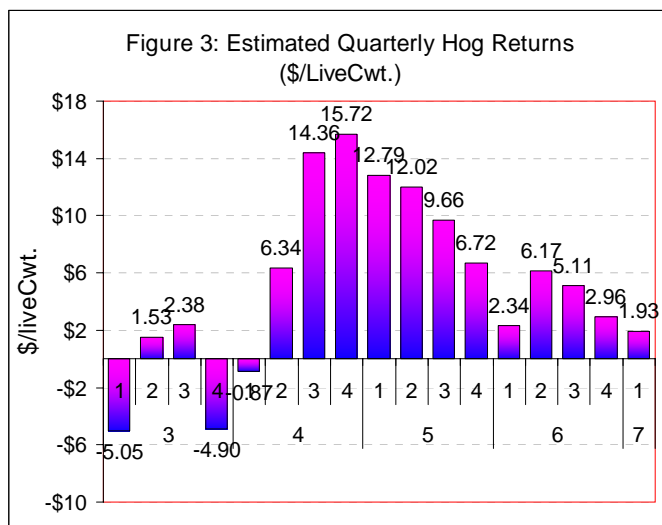
Prices have been much lower this year compared to the same period last year. In the first quarter, 51% to 52% lean carcasses on a live weight basis averaged \$42.41 this year compared to \$52.24 per hundredweight for the same quarter last year. A contributing factor was the 3.5 per cent increase in production; however the decline of almost 19 percent in price had other contributors. Beef supply increased by five percent in the first quarter of 2006 on two percent greater slaughter volumes and three percent higher weights. In addition, Avian Influenza in parts of Europe and Asia lowered demand for chicken and resulted in nine percent less broiler exports from the U.S. in the first quarter. As a result, there was nearly five percent more chicken in the domestic market as well.

Retail pork prices have also been slow to drop as live hog prices moved lower. Retail prices were down about five cents per retail pound for the first two months of this year. However, the farm level value is down 17 cents per retail pound while the marketing margin is up 12 cents. This means that producers are receiving about 27 percent of the retail dollar so far this year compared to 32 percent for the same period last year. Rather than say the farmers' share is too low this year, it is more likely that the farmers' share was unusually high the last two years (and thus the higher than expected hog prices).

Hog prices are expected to average about \$44.20 per live hundredweight in 2006 compared to \$50.10 in 2005 and \$52.50 in 2004. Second quarter prices are expected to trade in the \$44 to \$48 range with the summer quarter averaging about \$1 lower at \$43 to \$47. Prices for the final quarter of the year are expected to move lower to an average of \$41 to \$45 and then slightly less in the winter.

Implications

Given anticipated corn and soybean meal prices as of mid-April 2006, hog production still looks profitable over the next 12 months. The best profits are expected to be this spring and summer when hog prices rally into the mid-\$40s with expected corn prices in the \$2.10 to \$2.20 per bushel range and soybean meal futures prices near \$180 per ton. Profits are projected at \$5 to \$6 per live hundredweight as shown in Figure 3. Estimated costs by this fall and winter are around \$40, so at times prices could slip to breakeven levels or even some days of losses.



Profits are projected at \$5 to \$6 per live hundredweight. Profits will likely get much slimmer by this fall and winter averaging just \$2 to \$3 per live hundredweight as shown in Figure 3. Estimated costs by this fall and winter are around \$40, so at times prices could slip to breakeven levels or even some days of losses.

The potential for higher corn prices has become a somewhat increased

concern since USDA's *Prospective Plantings* showed a large reduction in potential corn acres. However, since the release of that report on March 31, new-crop corn prices have rallied relative to soybeans such that the incentive to plant corn is now as strong as soybeans according to Purdue University estimates. This likely means that not as many acres will shift to soybeans as suggested in that report, and that 2006/07 ending stocks of corn may be estimated at around 1.5 billion bushels, a bit more comfortable level.

Hog producers are also sensing the risks of potentially rising 2006/07 corn prices, especially given the huge increases in ethanol demand and the uncertainty of this summer's weather. Should hog producers be protecting new-crop corn prices at this time? As is generally the case, there is no definitive answer, but some guidelines may be helpful to individuals in making this decision. Let's discuss these in order.

First, corn production costs have risen sharply, and over time this will result in overall higher corn prices. Our Purdue estimates are that corn production costs are about 27 cents per bushel higher for the 2006 crop compared to 2005. This of course is driven mostly by fuel and fertilizer increases.

Secondly, corn demand for ethanol production is booming as ethanol's price is being driven by the demand for ethanol as an oxygenate rather than by its energy content. There are huge returns to ethanol production with current prices of ethanol futures over the next 12 months at \$2.50 per gallon on average, a plant investment will have a pay-out of less than one year (measured on a pre-income tax basis). Most likely, this means that ethanol plants will be built as rapidly as construction crews can be solicited to construct them. USDA currently estimates corn use for fuel at 1.6 billion bushels for the 2005/06 crop year. The Renewable Fuels Association lists 2.2 billion bushels of new capacity under construction. This would require about 750 million bushels of additional corn. However, not all of that capacity will be in production by the harvest of the 2006 crop. So, estimates for added corn use for ethanol may be in the 600 to 800 million bushel range for the 2006 crop. With normal yields this summer, our production can handle this size of growth, however, if ethanol production continues to grow at a similar rate throughout 2007, the squeeze on limited corn supplies will be felt most heavily in the 2007/08 corn marketing year.

That supply squeeze could come one year earlier if weather limits the size of the 2006 crop. With reduced acreage and growing usage, a yield restriction as small as five percent would have measurable impacts on higher corn prices. The longer-term historical odds (1950 to 2005) show that 25 percent of the years have seen yields drop five percent or more from trend. Since 1975, that percentage has been somewhat less frequent at 23 percent.

Third, weather signals at this point are mixed for the Midwest. Soil moisture reserves have generally improved in the Midwest this spring, but portions of southwest Iowa, eastern Nebraska, and eastern Kansas remain below normal. Some slight planting delays in the first two weeks of April are likely to be replaced by rapid progress in the last-half of April and early May. Finally, the tendency toward La Nina has increased the odds of a below normal U.S. yield according to Elwynn Taylor of Iowa State University <http://www.extension.iastate.edu/notes/display.aspx?catID=102>

Finally, the seasonal tendency for new-crop corn futures is to make highs in late April and May as the market "worries" about the summer weather. On average, once the crop gets planted and off to a reasonable start, there is less concern, and prices begin to move lower. In past years, this spring corn premium has been about 20 to 25 cents per bushel on average. I would guess it to be greater this year, maybe more like 30 to 40 cents per bushel. So the historical lesson is that hog producers in past years would have been better off to not purchase corn at planting time, but rather to wait until harvest. Of course this statement reflects the historical average but gives less guidance for this particular year.

Lean hog futures prices are now roughly equivalent to the price forecast here, so forward pricing with futures does not appear to be particularly attractive at this time. Historically, there has been a strong tendency for futures prices to experience seasonal increases in late-April and the first-half of May. For example, over the past ten years, June, July, and August lean hog futures have added about \$2 per hundredweight on average from mid-April to mid-May. The October and the December contracts have added on average

somewhat over \$1. If futures are able to add a few dollars per hundredweight over the next month, hedging could be considered, especially for those who need to be assured of profitable prices.

Table 1. Hogs and Pigs in the United States, March 1

| | 2005 | 2006 | 2006 as % of 2005 |
|--------------------------------|---------------|--------|----------------------|
| | thousand head | | percent |
| <i>Inventory</i> | | | |
| All hogs and pigs | 59,699 | 60,104 | 100.7 |
| Kept for breeding | 5,941 | 6,025 | 101.4 |
| Kept for market | 53,757 | 54,079 | 100.6 |
| <i>Market hogs by weight</i> | | | |
| Under 60 pounds | 19,667 | 19,838 | 100.9 |
| 60-119 | 13,087 | 13,114 | 100.2 |
| 120-179 | 11,360 | 11,317 | 99.6 |
| 180 and over | 9,644 | 9,811 | 101.7 |
| <i>Sows farrowing</i> | | | |
| Dec 05 - Feb 06 | 2,835 | 2,840 | 100.2 |
| March 06 - May 06 ¹ | 2,882 | 2,896 | 100.5 |
| June 06 -Aug 06 ¹ | 2,918 | 2,923 | 100.2 |
| <i>Pigs saved per litter</i> | | | |
| Sept 05 - Nov 05 | 8.96 | 9.03 | 100.8 |
| Dec 05 - Feb 06 | 8.94 | 9.03 | 101.0 |
| <i>Pig crop</i> | | | |
| Sept 05 - Nov 05 | 25,881 | 26,080 | 100.8 |
| Dec 05 - Feb 06 | 25,343 | 25,654 | 101.2 |

¹ Intentions

Table 2. U.S. Market Hogs Weighing 60 to 179 Pounds on March 1, and Commercial Slaughter in Calendar Quarter from April through June

| Years ^c | Number of Hogs | April-June | Ratio |
|-------------------------|------------------|----------------------|--------------------|
| | 60 to 179 Pounds | Commercial Slaughter | |
| -----thousand head----- | | | |
| 1990 | 19,811 | 20,263 | 102.3 |
| 1991 | 20,351 | 20,921 | 102.8 |
| 1992 | 21,645 | 22,202 | 102.6 |
| 1993 | 22,479 | 22,661 | 100.8 |
| 1994 | 22,620 | 22,965 | 101.5 |
| 1995 | 23,092 | 23,644 | 102.4 |
| 1996 | 22,075 | 22,201 | 100.6 |
| 1997 | 21,485 | 21,831 | 101.6 |
| 1998 | 23,565 | 23,628 | 100.3 |
| 1999 | 23,894 | 24,288 | 101.7 |
| 2000 | 22,961 | 23,105 | 100.6 |
| 2001 | 23,222 | 23,280 | 100.3 |
| 2002 | 24,086 | 24,280 | 100.8 |
| 2003 | 23,554 | 23,922 | 101.6 |
| 2004 | 24,159 | 24,803 | 102.7 |
| 2005 | 24,447 | 25,028 | 102.4 |
| 2006 | 24,431 | 25,139 | 102.9 ^b |

^a Projected

^b Mean of previous three years

Table 3. U.S. Sow Farrowings and Pig Crop Compared to U.S. Commercial Slaughter (1,000 head), with 7-month Lag 1993 to 2007

| Year | Sows Farrow | Pig Crop | Pigs/ Litter | Year | Commercial | Ratio ^b |
|--------------------|-------------|----------|-----------------|--------------------|------------|--------------------|
| | | | | | Slaughter | Slau/PigCrop |
| September-November | | | | April-June | | |
| 1993 | 2,982 | 24,003 | 8.05 | 1994 | 22,965 | 95.7 |
| 1994 | 2,997 | 24,517 | 8.18 | 1995 | 23,644 | 96.5 |
| 1995 | 2,815 | 23,479 | 8.34 | 1996 | 22,201 | 94.6 |
| 1996 | 2,731 | 23,327 | 8.54 | 1997 | 21,831 | 93.6 |
| 1997 | 2,939 | 25,494 | 8.67 | 1998 | 23,628 | 92.7 |
| 1998 | 2,993 | 25,902 | 8.66 | 1999 | 24,288 | 93.8 |
| 1999 | 2,844 | 24,973 | 8.78 | 2000 | 23,105 | 92.5 |
| 2000 | 2,838 | 25,112 | 8.85 | 2001 | 23,280 | 92.7 |
| 2001 | 2,889 | 25,492 | 8.82 | 2002 | 24,280 | 95.2 |
| 2002 | 2,833 | 25,094 | 8.86 | 2003 | 23,922 | 95.3 |
| 2003 | 2,856 | 25,488 | 8.93 | 2004 | 24,803 | 97.3 |
| 2004 | 2,888 | 25,881 | 8.96 | 2005 | 25,028 | 96.7 |
| 2005 | 2,888 | 26,080 | 9.03 | 2006 ^{ab} | 25,343 | 97.2 |
| December-February | | | | July-September | | |
| 93/94 | 2,885 | 23,368 | 8.10 | 1994 | 23,673 | 101.3 |
| 94/95 | 2,886 | 23,851 | 8.27 | 1995 | 23,264 | 97.5 |
| 95/96 | 2,735 | 23,054 | 8.43 | 1996 | 22,711 | 98.5 |
| 96/97 | 2,684 | 23,164 | 8.63 | 1997 | 22,679 | 97.9 |
| 97/98 | 2,929 | 25,480 | 8.70 | 1998 | 25,038 | 98.3 |
| 98/99 | 2,891 | 25,247 | 8.73 | 1999 | 24,960 | 98.9 |
| 99/00 | 2,798 | 24,522 | 8.76 | 2000 | 24,097 | 98.3 |
| 00/01 | 2,748 | 23,963 | 8.72 | 2001 | 23,635 | 98.6 |
| 01/02 | 2,835 | 24,857 | 8.77 | 2002 | 25,120 | 101.1 |
| 02/03 | 2,769 | 24,400 | 8.81 | 2003 | 24,747 | 101.4 |
| 03/04 | 2,836 | 25,105 | 8.85 | 2004 | 25,817 | 102.8 |
| 04/05 | 2,835 | 25,343 | 8.94 | 2005 | 25,515 | 100.7 |
| 05/06 ^a | 2,840 | 25,654 | 9.03 | 2006 ^{ab} | 26,235 | 102.3 |
| March-May | | | | October-December | | |
| 1993 | 3,220 | 26,135 | 8.12 | 1993 | 24,574 | 94.0 |
| 1994 | 3,390 | 27,984 | 8.26 | 1994 | 26,315 | 94.1 |
| 1995 | 3,170 | 26,373 | 8.32 | 1995 | 25,197 | 95.5 |
| 1996 | 2,930 | 24,833 | 8.48 | 1996 | 23,832 | 96.0 |
| 1997 | 2,911 | 25,229 | 8.67 | 1997 | 25,143 | 99.7 |
| 1998 | 3,086 | 26,989 | 8.75 | 1998 | 27,586 | 102.2 |
| 1999 | 2,986 | 26,272 | 8.80 | 1999 | 26,723 | 101.7 |
| 2000 | 2,885 | 25,565 | 8.86 | 2000 | 25,714 | 100.6 |
| 2001 | 2,870 | 25,509 | 8.89 | 2001 | 26,470 | 103.8 |
| 2002 | 2,941 | 26,001 | 8.84 | 2002 | 26,715 | 102.7 |
| 2003 | 2,886 | 25,629 | 8.88 | 2003 | 27,608 | 107.7 |
| 2004 | 2,870 | 25,633 | 8.93 | 2004 | 27,192 | 106.1 |
| 2005 | 2,882 | 25,986 | 9.02 | 2005 | 27,485 | 105.8 |
| 2006 ^a | 2,896 | 26,325 | 9.09 | 2006 ^{ab} | 28,198 | 107.1 |
| June-August | | | | January-March | | |
| 1993 | 2,972 | 24,041 | 8.09 | 1994 | 22,742 | 94.6 |
| 1994 | 3,107 | 25,547 | 8.22 | 1995 | 24,224 | 94.8 |
| 1995 | 2,976 | 24,813 | 8.34 | 1996 | 23,651 | 95.3 |
| 1996 | 2,718 | 23,244 | 8.55 | 1997 | 22,308 | 96.1 |
| 1997 | 2,946 | 25,696 | 8.72 | 1998 | 24,775 | 96.4 |
| 1998 | 3,054 | 26,634 | 8.72 | 1999 | 25,579 | 96.0 |
| 1999 | 2,920 | 25,862 | 8.86 | 2000 | 25,019 | 96.7 |
| 2000 | 2,889 | 25,548 | 8.84 | 2001 | 24,578 | 96.2 |
| 2001 | 2,878 | 25,539 | 8.87 | 2002 | 24,148 | 94.6 |
| 2002 | 2,883 | 25,725 | 8.92 | 2003 | 24,654 | 95.8 |
| 2003 | 2,918 | 25,974 | 8.90 | 2004 | 25,717 | 99.0 |
| 2004 | 2,905 | 26,162 | 9.01 | 2005 | 25,529 | 97.6 |
| 2005 | 2,918 | 26,276 | 9.06 | 2006 | 26,202 | 99.7 |
| 2006 | 2,923 | 26,658 | 9.12 | 2007 ^{ad} | 26,445 | 99.2 |

^a Estimates

^b Last entry is the mean of previous three years including Canadian live imports (not shown).

Table 4. U.S. Commercial Slaughter, Carcass Weights, and Quarterly Pork Production 1994-2006

| Year | Quarter | Commercial Slaughter (1,000 head) | Carcass Weight Per Hog | Pork Production (million #'s) | Percent Change Year-Ago |
|------|------------------|-----------------------------------|------------------------|-------------------------------|-------------------------|
| 1995 | I | 24,229 | 185.2 | 4,488 | 7.3 |
| | II | 23,646 | 185.8 | 4,394 | 3.6 |
| | III | 23,264 | 182.3 | 4,240 | -2.0 |
| | IV | 25,198 | 186.1 | 4,690 | -4.5 |
| 1996 | I | 23,650 | 185.6 | 4,389 | -2.2 |
| | II | 22,201 | 184.9 | 4,104 | -6.6 |
| | III | 22,711 | 182.4 | 4,143 | -2.3 |
| | IV | 23,833 | 186.7 | 4,449 | -5.1 |
| 1997 | I | 22,342 | 187.7 | 4,194 | -4.4 |
| | II | 21,834 | 187.4 | 4,091 | -0.3 |
| | III | 22,666 | 185.0 | 4,196 | 1.3 |
| | IV | 25,152 | 189.5 | 4,766 | 7.1 |
| 1998 | I | 24,776 | 189.2 | 4,688 | 11.8 |
| | II | 23,631 | 187.5 | 4,429 | 8.3 |
| | III | 25,038 | 184.7 | 4,625 | 10.2 |
| | IV | 27,523 | 188.9 | 5,239 | 9.9 |
| 1999 | I | 25,571 | 190.3 | 4,865 | 3.8 |
| | II | 24,292 | 190.6 | 4,630 | 4.5 |
| | III | 24,960 | 187.2 | 4,672 | 1.0 |
| | IV | 26,732 | 191.2 | 5,110 | -2.5 |
| 2000 | I | 25,019 | 192.8 | 4,824 | -0.8 |
| | II | 23,107 | 193.8 | 4,478 | -3.3 |
| | III | 24,097 | 191.1 | 4,606 | -1.4 |
| | IV | 25,714 | 194.8 | 5,010 | -2.0 |
| 2001 | I | 24,578 | 195.5 | 4,805 | -0.4 |
| | II | 23,280 | 195.3 | 4,546 | 1.5 |
| | III | 23,635 | 192.4 | 4,548 | -1.3 |
| | IV | 26,470 | 197.9 | 5,239 | 4.6 |
| 2002 | I | 24,148 | 197.9 | 4,780 | -0.5 |
| | II | 24,280 | 197.6 | 4,797 | 5.5 |
| | III | 25,120 | 192.4 | 4,832 | 6.2 |
| | IV | 26,715 | 196.7 | 5,255 | 0.3 |
| 2003 | I | 24,654 | 198.7 | 4,898 | 2.5 |
| | II | 23,922 | 198.2 | 4,741 | -1.2 |
| | III | 24,747 | 194.2 | 4,807 | -0.5 |
| | IV | 27,608 | 199.2 | 5,499 | 4.6 |
| 2004 | I | 25,717 | 199.5 | 5,130 | 4.7 |
| | II | 24,803 | 197.4 | 4,897 | 3.3 |
| | III | 25,817 | 195.5 | 5,046 | 5.0 |
| | IV | 27,192 | 199.9 | 5,435 | -1.2 |
| 2005 | I | 25,529 | 201.2 | 5,136 | 0.1 |
| | II | 25,028 | 200.7 | 5,022 | 2.6 |
| | III | 25,515 | 195.9 | 4,999 | -0.9 |
| | IV | 27,485 | 201.0 | 5,525 | 1.7 |
| 2006 | I ^p | 26,202 | 202.8 | 5,315 | 3.5 |
| | II ^a | 25,241 | 201.7 | 5,091 | 1.4 |
| | III ^a | 26,269 | 197.4 | 5,185 | 3.7 |
| | IV ^a | 28,034 | 202.2 | 5,670 | 2.6 |
| 2007 | I ^a | 26,445 | 203.0 | 5,368 | 1.0 |

^a Projected

^c Average of the two estimation methods (Table 2 and 3)

^p Preliminary

Table 5. Actual and Forecast Hog Prices, Lean Carcass Prices, and Retail Pork Prices^a

| Year | Quarter | Barrow and | Lean Value | Retail Pork |
|------|------------------|-------------------------------|---|---------------|
| | | Gilts 6-Mkt Price (\$/cwt) | (Live Price/74.5 yield) (\$/carcass cwt) | ¢/carcass cwt |
| 1995 | I | \$38.19 | \$51.26 | 191.6 |
| | II | \$38.57 | \$51.77 | 190.2 |
| | III | \$48.32 | \$64.86 | 195.6 |
| | IV | \$42.86 | \$57.53 | 201.8 |
| 1996 | I | \$45.33 | \$60.85 | 206.3 |
| | II | \$54.84 | \$73.61 | 214.9 |
| | III | \$57.96 | \$77.80 | 230.4 |
| | IV | \$55.10 | \$73.96 | 231.9 |
| 1997 | I | \$51.06 | \$68.54 | 231.0 |
| | II | \$56.41 | \$75.72 | 229.7 |
| | III | \$54.45 | \$73.09 | 234.5 |
| | IV | \$43.69 | \$58.64 | 231.0 |
| 1998 | I | \$34.74 | \$46.63 | 233.0 |
| | II | \$39.42 | \$52.91 | 226.9 |
| | III | \$33.95 | \$45.57 | 231.0 |
| | IV | \$19.30 | \$25.91 | 226.9 |
| 1999 | I | \$28.83 | \$38.70 | 235.8 |
| | II | \$35.18 | \$47.22 | 238.4 |
| | III | \$35.70 | \$47.92 | 246.4 |
| | IV | \$36.29 | \$48.71 | 245.2 |
| 2000 | I | \$41.14 | \$55.22 | 249.8 |
| | II | \$50.43 | \$67.69 | 257.3 |
| | III | \$46.43 | \$62.32 | 264.3 |
| | IV | \$40.78 | \$54.74 | 261.3 |
| 2001 | I | \$42.83 | \$57.49 | 262.5 |
| | II | \$52.05 | \$69.87 | 267.0 |
| | III | \$51.05 | \$68.52 | 275.0 |
| | IV | \$37.30 | \$50.07 | 273.0 |
| 2002 | I | \$39.43 | \$52.93 | 270.9 |
| | II | \$34.99 | \$46.97 | 267.7 |
| | III | \$33.86 | \$45.45 | 264.1 |
| | IV | \$31.34 | \$42.07 | 260.2 |
| 2003 | I | \$35.38 | \$47.49 | 260.9 |
| | II | \$42.64 | \$57.23 | 262.2 |
| | III | \$42.90 | \$57.58 | 269.8 |
| | IV | \$36.89 | \$49.52 | 270.2 |
| 2004 | I | \$44.18 | \$59.30 | 269.3 |
| | II | \$54.91 | \$73.70 | 276.8 |
| | III | \$56.58 | \$75.95 | 287.7 |
| | IV | \$54.35 | \$72.95 | 282.8 |
| 2005 | I | \$52.24 | \$70.12 | 282.9 |
| | II | \$52.09 | \$69.92 | 286.7 |
| | III | \$50.51 | \$67.80 | 282.9 |
| | IV | \$45.54 | \$61.13 | 278.3 |
| 2006 | I ^p | \$42.41 | \$56.93 | 277.5 |
| | II ^a | \$46.33 | \$62.19 | |
| | III ^a | \$45.55 | \$61.14 | |
| | IV ^a | \$42.53 | \$57.09 | |
| 2007 | I ^a | \$42.30 | \$56.78 | |

^a Predicted prices for 2006 (II) forward are made with two equations with the results averaged.

^p Preliminary