

Keeping Your Piggy Bank Full

I usually spend time talking about beef, so I'd like to dedicate this time to talk about pork and the current pork market. There is no doubt the popularity of pork items has increased as of recent years. It feels like a new "hot spot" BBQ joint is opening every day in America, all boasting world famous swine. It appears shabby décor and good pork is hip. But, as we peel off the exterior we see what makes sense also makes dollars. Considering the historical price of pork versus the percentage of profit once it's sold out the door to the customer, BBQ pork can fill the piggy bank.

As we enter this Holiday weekend, Americans will be spending less on a big vacation and more on a great meal. Consumers are starting to loosen their budgets on small extravagances which is good news for the foodservice industry. Beef and pork producers are also seeing profitable quarters as well.

To say that pork producer were due for a "break" would be an understatement. Pork markets have had some of the wildest peaks and valleys over the last 30 years but none were more extreme than the past 18 months. In 2009, a hog farmer had to not only weather the recession, they were also dealing with "swine flu" backlash and high grain prices.

Three or four years ago, grain prices more than doubled due to the demand for ethanol. This pushed a lot of farmers out of the pork business thus reducing the number of hogs going to market – less product, higher demand. Pork producers continue to keep down the number per herd even as the demand grows and foreign markets begin buying again.

Grain prices are on their way back down and producers are still reducing their supply. Production is down 4% so far this year, and that will push prices higher this summer. Keep in mind that pork has been undervalued for a long time. In the late 80's, consumers were paying twice as much for pork as they are today. Current prices will increase and we'll adjust – the market is balancing itself out. Pork will still be cheaper than steaks.

With the more multi-ethnic cuisine being introduced, each year we're seeing broadening usages for pork items within mainstream eateries. Another factor is big chain business. I've always said if you want to know what is selling - watch the "big boys." BK (Burger King) has seen new growth selling BBQ ribs. When I first heard BK was promoting ribs I thought "give me a break!"; I stand corrected. Although, I still have not tried their product they are posting continued growth when most "value menu" bases restaurants are plateauing.

Pork prices are up and they will continue to stay up for the foreseeable future. That's a good thing for pork producers. It will take all of a healthy 2010 plus a good start to 2011 for them to climb out of the hole from last year. Still, pork products remain as a relatively inexpensive protein with huge profit potential. Pass the chops please.

Aaron Scholl

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