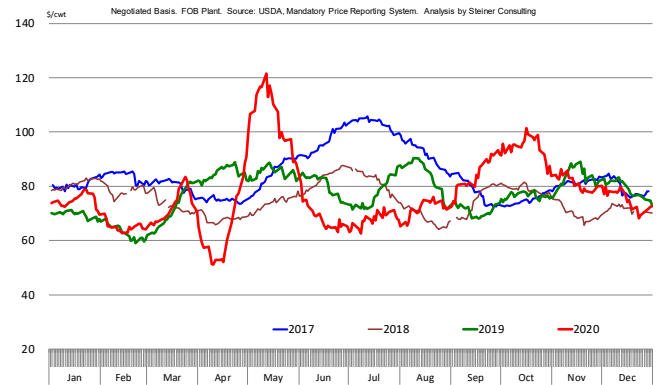


Lean hog futures closed higher on Thursday, with traders noting fund buying and positioning at the end of the year. As we start the new year, market participants will refocus a number of key factors for the hog market. **Will producers manage to stay current and will overall hog weights start to normalize?** The December hogs and pigs report suggested that hog slaughter for the next couple of months should be above 2.6 million head per week. To put this number in context, **non-holiday weekly slaughter during Jan/Feb of 2017 was 2.339 million and in 2018 the average was 2.394 million.** There are still some hefty hog numbers on the ground compared to where we were just a couple of years ago and both domestic and export demand will be critical to clean up the spot market. There's **no getting around the fact that some very heavy hogs are currently coming to market, further adding to the supply of pork available.** According to MPR data for all hogs marketed, the average weight at the end of the year was near 220 pounds per carcass, more than 3.5 pounds heavier than a year ago. The average weight of producer owned hogs was 216 pounds and it will likely be even higher this coming week due to the holiday shortened week last week. We could see producer owned hog weights hit 217 pounds before coming down. Average carcass weight of packer owned hogs last week was an astounding 226 pounds vs. 217.8 a year ago. All these pounds on the carcass will bolster weekly pork production. The last two weeks slaughter has been limited due to the holidays. **This week we will be back to full production and the cutout will be tested.** Export data for the week ending Dec.24 was good but will strong sales to China be sustained now that buying for the Chinese New Year has come to an end? Retail pork business tends to be ho hum this time of year and it will be critical that processing items help carry the cutout. Bellies in past years have offered a nice boost but the kill numbers during those years were much lower and, even more importantly, foodservice demand was on a firmer footing. Hams have the chance to help, with boneless hams still commanding premiums, lower carryover from the previous year and fewer days to accumulate hams for Easter. Hams were key for the fall and they will remain key in the next two months in order to justify current cutout futures values in 80 cent area.

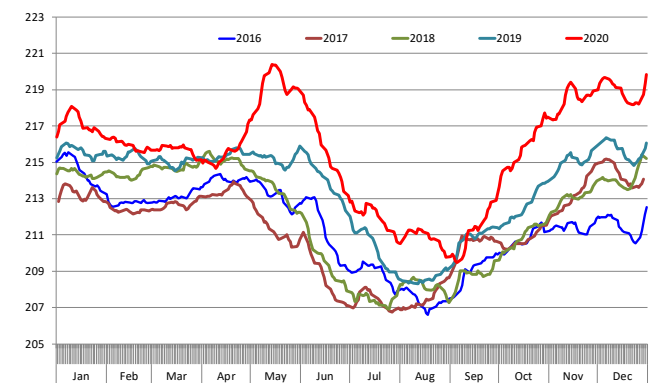
The choice beef cutout largely followed seasonality in December, with beef ribs finding a peak at the start of last month but then sliding sharply once holiday purchases had been covered. Normally end cuts get some support in January as retailers feature them more broadly. The start of those features may be delayed a bit given that it took some time for retailers to hit on the right price for rounds and chucks in December. Foodservice demand should also improve now that some states slowly lift restrictions on indoor dining.

## Daily Pork Cutout Value



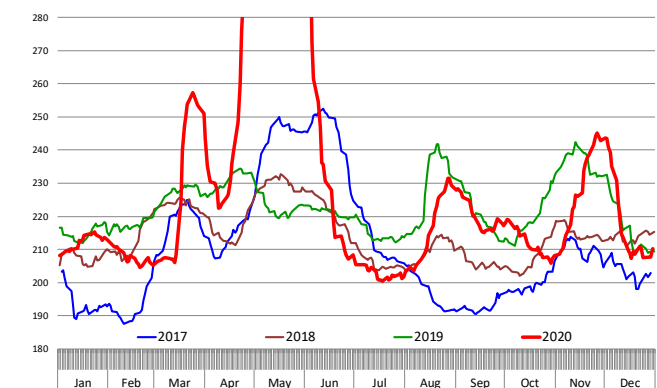
## Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - All Hogs

Based on Daily MPR Report, LM\_HG201. Data through Dec 30, 2020. Analysis by Steiner Consulting



## CHOICE BEEF CUTOUT VALUE

Daily Prices, \$/cwt. Source: USDA-AMS Mandatory Price Reporting Service



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