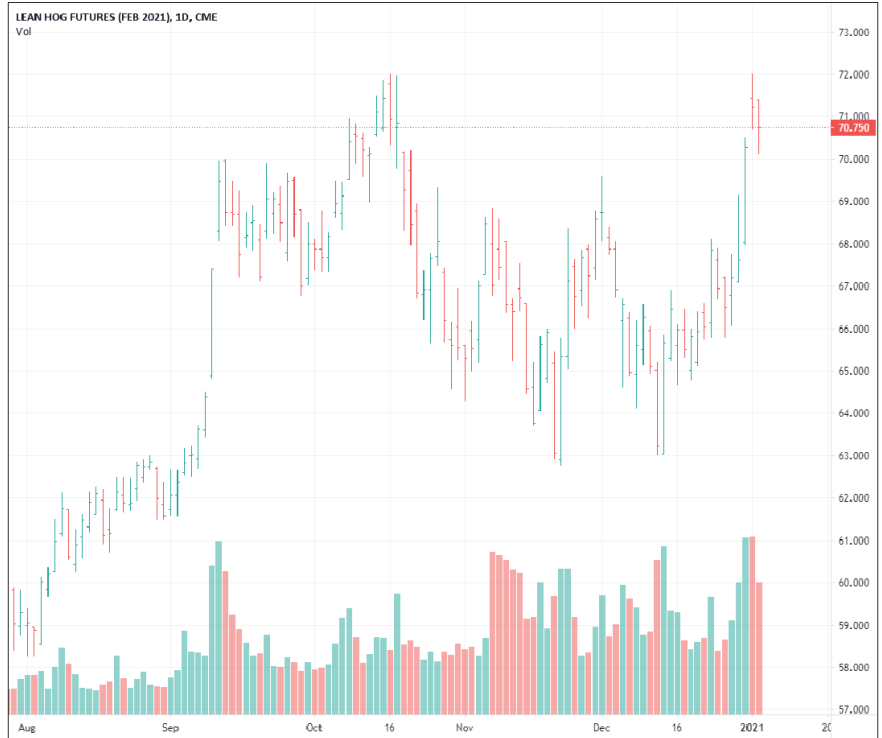


Hog futures prices (February 2021 contract) started out the year strong closing at \$71.23 per cwt on Monday and \$70.75 per cwt yesterday, levels that have not been reached since mid-October 2020. In mid-December, the February lean hog futures contract was trading just above \$63 per cwt before a nearly 12.0% increase in just over three weeks. This week, the summer months contracts (June, July, and August 2021) have reached to about \$84 per cwt which are contract highs. Strength in prices is also occurring in the cash market.

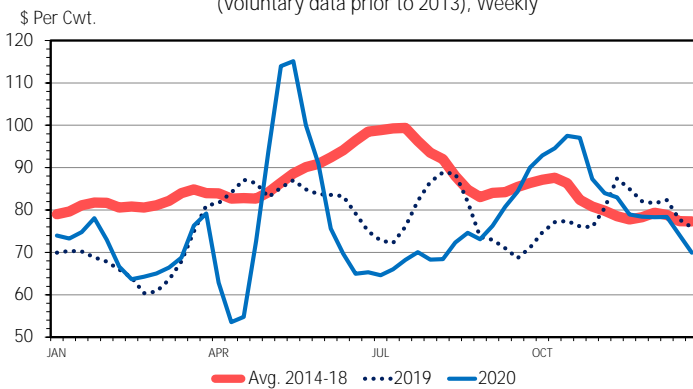
The USDA Daily Direct Prior Day Hog Report ([LM_HG218](#)) showed a strong jump in hog prices to start 2021. The National barrow and gilt producer sold base price closed out the 2020 year at \$62.33 per cwt and started 2021 at \$67.68 per cwt, a \$5.35 (8.6%) increase. The price for packer sold hogs ended 2020 at \$61.13 per cwt and started the new year up \$1.79 per cwt (up 2.9%) to \$62.92 per cwt.

Looking closer at the producer sold barrow and gilt base price by purchase type shows a strong jump in the Other Purchase Arrangement from \$64.96 to close 2020 up to \$73.27 to start this week, a \$8.31 rise or 12.8% increase. The Negotiated, Other Market Formula, and Swine or Pork Market Formula prices also saw increases to start 2021 of \$3.97 (up 7.8%), \$4.34 (up 6.7%), and \$0.47 (up 0.8%), respectively, compared to the end of last week. To help put this into perspective, the breakdown of producer sold hogs by purchase type was 1.8%, 14.1%, 40.0%, and 44.0%,

CME:HEG2021, D 70.750 ▼ -0.475 (-0.67%) O:71.400 H:71.400 L:70.100 C:70.750



PORK CUTOUT VALUE
(Voluntary data prior to 2013), Weekly

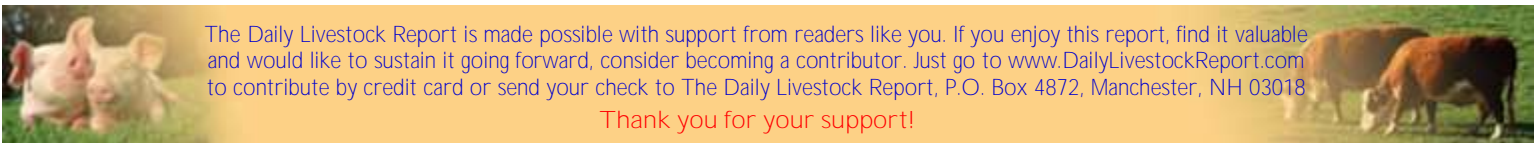


Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

HP-10
12/28/20

respectively, for Negotiated, Other Market Formula, Swine or Pork Market Formula, and Other Purchase Arrangement at the start of this week. The breakout between purchase types implies a larger portion of producer sold hogs (44.0% or 148,814 head) were able to capture the 12.8% increase in price for the Other Purchase Arrangement. On average during 2020, the breakdown of producer sold hogs by purchase type was 2.7%, 14.7%, 49.9%, and 32.4%, respectively.

As both cash and futures hog prices started off the year higher, the pork cutout value started the year down. The daily pork cutout value dipped to \$68.16 per cwt prior to the Christmas holiday, a low which has not been seen since August. Last week the cutout rallied to finished at \$78.58 per cwt but averaged \$73.86 per cwt for the week. The pork cutout value was \$77.77 per cwt to start this week, as softer values in the picnic (-\$6.26), ham (-\$4.40), and butt (-\$0.81), compared to values at the end of last week, limited its start this week. Although the pork cutout value has started the year slightly lower, the strength in hog prices is a welcomed sign for producers and the industry as the strong prices through much of 2021 are offering opportunities to lock in profitable prices for 2021.



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