

Dear Daily Livestock Reader:

As many of you know, in recent years we have sought to maintain the financial stability of this report by asking readers for their support. Yesterday we sent out a request for support to readers that had not contributed for over a year as well as those that have not contributed in the past. **We thank all the individuals and companies that responded positively to our request.** We greatly appreciate their support and recognize that, without them, this effort would not be possible. If you did not get a request, then this means you already have contributed in the last 12 months

But we **have yet to hear from many others.** We understand your days are busy but ask that you take a few minutes and consider our request for funding. While the CME remains an important contributor, most of the money raised to support the Daily Livestock Report comes directly from our readers.

We recognize that this is a difficult time for a number of people. The main reason why we have not transitioned to a full subscription site is because we see the value this information brings to many involved in this industry. We started this letter in 2003 and have continued to provide it every single business day because we are passionate about this industry and truly believe that feeding our people is a worthwhile endeavor. If you cannot contribute for whatever reason, please write to us and we'll make things work.

Some readers have written to us **surprised to get an invoice.** Please understand that we did that based on feed back from those that wanted to support us but could only do so against an invoice of some kind.

Many read this report online or forwarded to them from someone else. If you value the information and want it to continue, please go to the contribution tab, call the number below or send an email to [len@dailylivestockreport.com](mailto:len@dailylivestockreport.com).

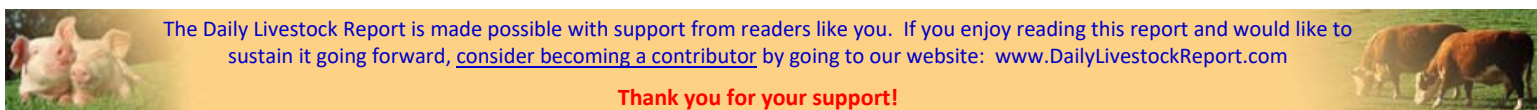
Our commitment at the Daily Livestock Report remains the same; offer a straight, data driven and timely analysis of livestock and meat markets. If you think this effort is worth continuing and have not contributed in the last 12 months, then please consider becoming a contributor.

Thanks again for your readership and support over the years. We hope to continue to do this as long as possible.

Len Steiner  
800 526 4612

The Daily Livestock Report is made possible with support from readers like you. If you enjoy reading this report and would like to sustain it going forward, [consider becoming a contributor](http://www.DailyLivestockReport.com) by going to our website: [www.DailyLivestockReport.com](http://www.DailyLivestockReport.com)

**Thank you for your support!**



**Lean hog futures have been trending higher since mid December due to a combination of higher wholesale prices, producers getting increasingly current and exports to other markets helping offset the expected decline in shipments to China.**

The December 'Hogs and Pigs' survey told us that, at least in the near term, hog supplies would be plentiful. That has been the case so far. The December survey said that the inventory of market hogs in the +180 lb. bucket was 1.2% higher than the already big numbers on December 1, 2019 and 5.9% higher than December 1, 2018. The inventory of hogs in the 120-179 lb. category were about even with the previous year and 6.4% higher than the same period two years prior. Since the first week of December until the current week, we calculate slaughter is down 0.7% compared to the same period the previous year but **5.2% higher than the comparable period two years ago**. These numbers are about a percentage point lower than what the survey indicated but still relatively close to expectations. At this point it appears that the difference between the survey and actual slaughter is more likely a survey miss than a result of hogs backing up at the farm level. Producers are current and hog carcass weights tell the story. Since the start of the year, **the average carcass weight of producer owned barrows and gilts has declined 3.9 pounds or 1.8%**. Carcass weights for this class of hogs are now just 0.2% higher than the previous year. Average weight of packer owned hogs has also declined about 1.4% during this period but it is still running about 2% above last year. While this continues to add to the total pounds coming to market, it does not have much of an impact on hog prices.

**Wholesale pork values have performed exceptionally well, especially when we consider the tonnage coming to market every single week.** Part of the reason why Feb/Apr hogs traded in the low to mid 60s in early December had to do with the expected impact that +2.6 million hogs per week and heavy carcass weights would have on pork prices. It also did not help that China had not bought as much pork as the year before, leading market participants to think/expect that more pork would have to be absorbed domestically. But **the pork cutout has been trending higher since December and last night it was quoted at \$86.86/cwt, up \$23/cwt or 36% from a year ago and also 36% higher than two years ago**. Almost half of the y/y increase in the value of the cutout has to do with bellies. The belly primal last night was \$144/cwt, 89% higher than last year and contributing \$11/cwt to the overall cutout. Why are bellies up? Our guess is that processors are getting more orders from fast food operators concerned about potential price inflation this spring and summer. Summer hogs at +\$90 imply potential belly prices as high as \$160/cwt. Given forward risk and limited freezer inventories, there appears to be a push to build a position. Low prices last December also appear to have bought some retail bacon business. But herein also lies the risk in the market. As it became clear in 2017 and any other times when we have seen a rally in bellies, eventually high prices will end up rationing demand. Ham primal value is currently 40% higher than a year ago, contributing \$5.4/cwt to the overall value of the cutout. As we have discussed in the past, high prices for boneless hams have added to the ham cutout calculation and, depending on the volume traded in a given day, primal will go up even as subprimals may be down. The downside risk, in the short term, is that Easter is early this year. This may have bolstered ham values in the near term but the rally may also end earlier than usual. Sales to Mexico are a key wild card for this product.

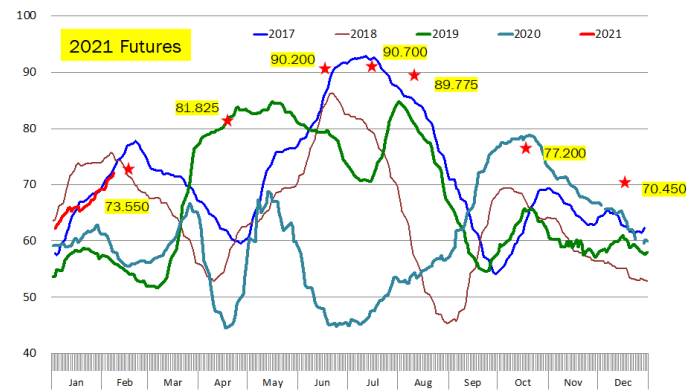
Weekly Average Prices by Pricing Arrangement and Weighted Average for the Week

Data source: USDA Daily LM\_HG201 report. Analysis by Steiner Consulting

		2/7/2020	1/29/2021	2/5/2021	% last wk	% last year
Negotiated	Head	38,808	31,855	28,601		
	Net Price	\$ 55.27	\$ 55.20	\$ 58.85	7%	6%
Other Market Formula	Head	215,089	173,181	182,724		
	Net Price	\$ 66.02	\$ 67.41	\$ 68.30	1%	3%
Swine or Pork Market Formula	Head	652,071	766,270	739,760		
	Net Price	\$ 60.09	\$ 67.97	\$ 69.97	3%	16%
Other Purchase Agreement	Head	528,356	427,755	403,995		
	Net Price	\$ 65.76	\$ 74.28	\$ 75.25	1%	14%
Total	Head	1,434,324	1,399,061	1,355,080		
	Wt. Avg. Net Price	\$ 62.93	\$ 69.54	\$ 71.08	2%	13%

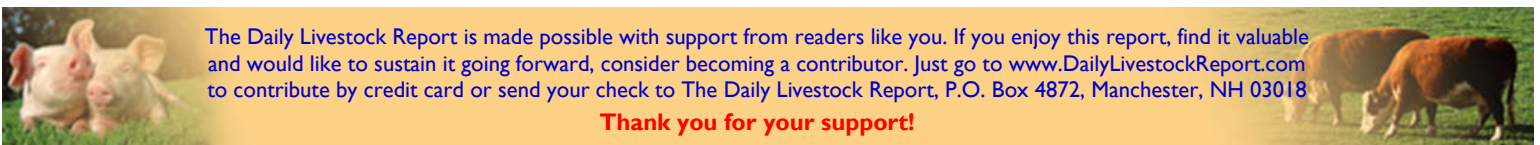
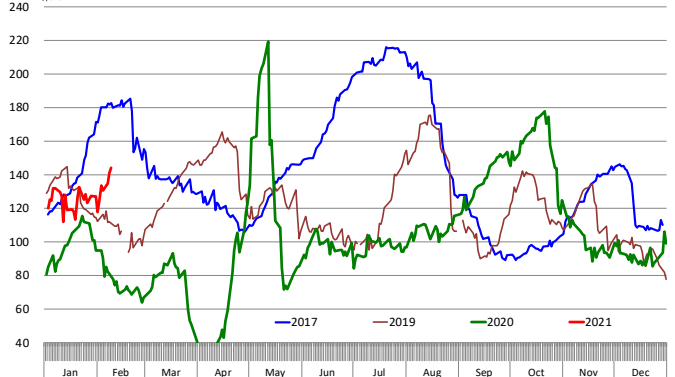
**CALCULATED 1 DAY CME CASH HOG INDEX**

Based on Daily USDA MPR Data. Wt. Avg. Price of Negotiated Cash Hog Price and Swine or Pork Market Formula (SPMF). See LM\_HG201



**DAILY BELLY PORK PRIMAL VALUE**

5/cwt Negotiated Basis. FOB Plant. Source: USDA, Mandatory Price Reporting System. Analysis by Steiner Consulting



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**Thank you for your support!**

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