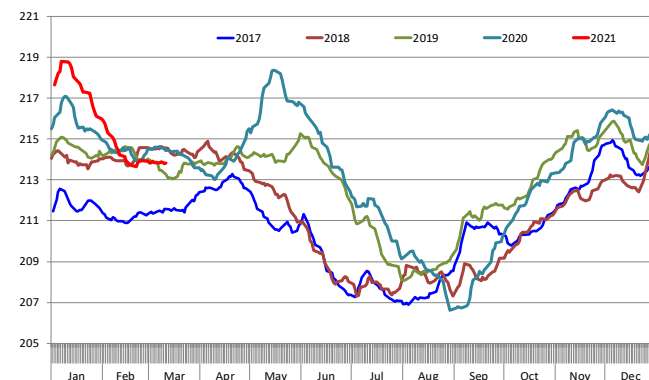


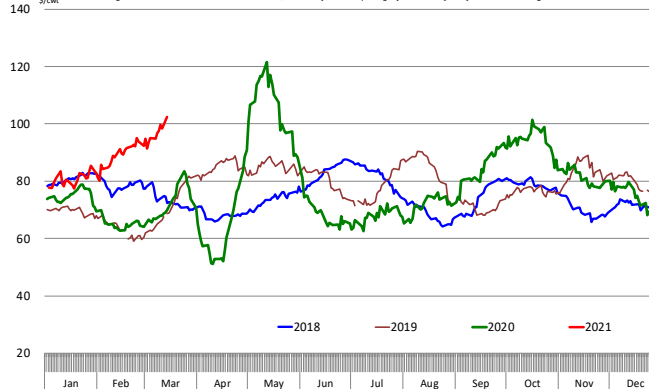
Fewer hogs available for marketing and robust demand continue to underpin hog and pork market values. Part of the reason for the lower hog slaughter in the last few weeks has been weather. But, despite the decline in slaughter, hog carcass weights have been steady. If the hogs were there, the weather induced slowdown would have caused pipeline supplies to back up a bit. Instead, the average weight of producer owned hogs has been remarkably steady, suggesting that the slowdown was necessary in order to prevent further pulling supplies forward. The USDA weekly summary report published on Friday, which we also include in our Monday data summary, showed that **year to date hog slaughter is down 3.8%**. But even as slaughter is down y/y, **we urge you not to make too much of this number**. Each year there is a discrepancy in the number of slaughter days between January 1 and whatever cutoff day you pick. So that YTD number can throw you off by a lot and be very misleading. Using that number to support one's view, well knowing why it is that large, is deceptive. A better measure, in our view, is to look at full slaughter weeks and see how they match up with the same period the previous year. Since the week ending December 5 (first week corresponding to USDA survey data), hog slaughter has been down 1.2% compared to the same period the previous year. Even more interesting is the fact that since the week ending January 9, weekly hog slaughter has been a few thousand head higher than the previous year and 6.3% higher than two years ago. The strong slaughter pace in hog slaughter during January and good export/domestic demand during that period allowed producers to become increasingly current. In the last four weeks hog slaughter has been about 2.7% lower than the previous year but still about 3% higher than two years prior. We can argue how far off the USDA December survey was from what has actually transpired (and the survey was a bit off) but please forget that -3.8% number.

The real story in the pork market, for the moment is demand. The value of the pork cutout last night was calculated at \$102/cwt, up 39.6% compared to a year ago and up 41.5% compared to two years ago. COVID makes year/year comparisons a bit meaningless, especially as we roll into April. But it is hard to argue that demand is good when supplies are up 3% compared to 2019 and yet the cutout is up 41.5%. What is harder to know if this is a shift in demand (people wanting to pay more for pork) or if this is end users/processors pulling demand forward. The answer to this is critical about the trajectory of pork and hog prices this spring and summer. In the first case, consumers have suddenly found a new affinity for pork, they want to put more bacon in their sandwiches, more ham in their plates and more ribs and pork chops in their grills. Each week a consumer will eat a relatively steady number of meals and the decision on whether that meal is a plate of pasta, a bowl of cereal or a pork chop constitutes a demand change. On the other hand, if processors look ahead at futures and see hogs over \$90 and a pork cutout over \$100, they may rightly get worried about price inflation and try to bolster their inventory. Fast food operators hearing all the inflation talk on CNBC may tell their suppliers to ramp up, especially if they went with lean inventories during COVID. In the near term, demand for processing items is inelastic. Processors have orders in the books that they need to fill, especially if this is from major accounts looking to cover Q2. **The risk is that current prices will cause retailers to limit pork features for the grilling season and high processing item prices start to take a bite out of Q3 fast food demand.**

Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs
Based on Daily MPR Report, LM_HG201. Data through Mar 12, 2021. Analysis by Steiner Consulting

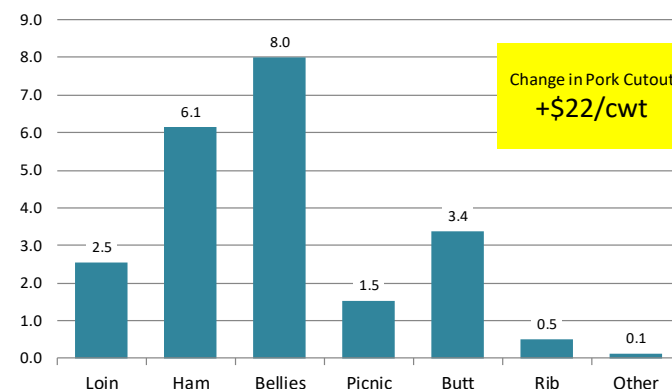


DAILY OVERALL CUTOUT PORK PRIMAL VALUE
Negotiated Basis, FOB Plant. Source: USDA, Mandatory Price Reporting System. Analysis by Steiner Consulting



Contribution to the Change in the Value of the Pork Cutout

Based on USDA-MPR data for Mar 15, 2021 vs. Feb 3. Analysis by Steiner Consulting



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