

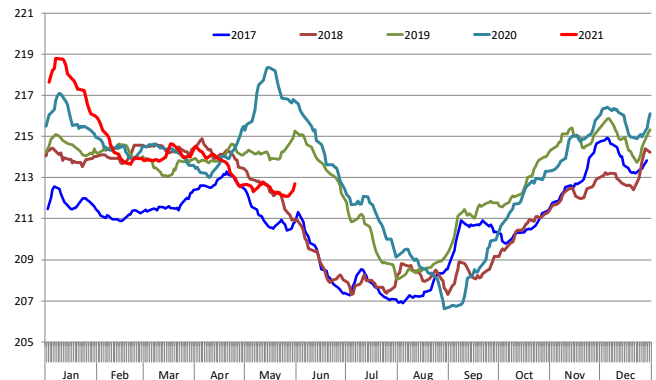
Our discussion today will focus on current hog market trends but before that it is appropriate to touch on the hot topic of the week - the cyber attack on JBS. As the slaughter estimates from USDA showed yesterday, **many JBS beef and pork plants were up and running but production was still well below capacity as they operated single shifts.** Total cattle slaughter for Wednesday was estimated at 105k head, 11k head higher than the previous day but still down about 15k head or 12.5% from a week ago. Production is expected to ramp up today and we suspect plants will look to make up some of the lost production on Saturday. Hog slaughter was estimated at 439k head, 49k head higher than the previous day but still down 44k head or 9% from the previous week. The quick restart of production helped fed cattle futures recover all of Tuesday's losses. Still, fed cattle remain stuck in a range and unable to benefit from the rally in wholesale beef prices as packers struggle with capacity bottlenecks and cattle market currently lacks a feedback mechanism from wholesale product values. We will continue to update you on this as new information becomes available.

Lean hog futures were lower yesterday and they have opened lower again today. The decline has come even as the cutout is currently approaching \$130/cwt, levels not seen since the summer of 2014. Lower prices paid in the cash market yesterday likely played a role. Lost production at JBS the last couple of days combined with the long holiday weekend may have resulted in a few hogs getting backed up. Some of this is evident in hog carcass weights, which have bucked the seasonal trend. We estimate that average weight of producer owned barrows and gilts in the five days ending June 1 was 212.7 pounds, up from 212.1 a few days ago. The increase is all due to the holiday weekend and we expect weights will trend higher following recent events. The national cash hog price (LM_HG200) yesterday was quoted at \$108.89/cwt, \$2.4/cwt lower than the previous day but still about \$4.8/cwt higher than before the long holiday weekend. USDA did not give a quote on Eastern Cornbelt hogs yesterday but we think they remain at a discount to the Western Cornbelt. The price of IA/MN hogs (LM_HG204) was quoted at \$113.21/cwt yesterday, a premium of \$4.32/cwt to the national average. Eastern Cornbelt hog values have seen a discount in the last few weeks, which we think in part reflects the effect of more Canadian hogs. As one of our readers pointed out to us, while the number Canadian hog imports may be small in the big scheme of national slaughter, it has an outsize effect on negotiated trading since that market is extremely thin. Year to date, **the share of negotiated hogs has been just 1.24% of overall supply** compared to 4.25% ten years ago. The attached chart also shows how hogs sold through other marketing agreements have performed and the increase in the share of packer owned hogs.

Current hog futures are trading at a premium to the index and despite the gains in the cutout, market participants likely want to

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

Based on Daily MPR Report, LM_HG201. Data through Jun 1, 2021. Analysis by Steiner Consulting

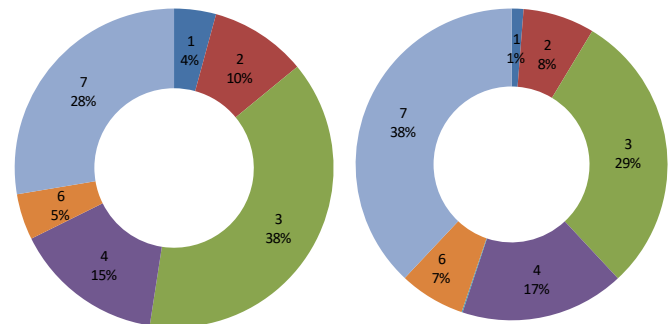


COMPOSITION OF B/G SALES in 2011

Includes Producer & Packer Hogs

COMPOSITION OF B/G SALES. 2021 YTD

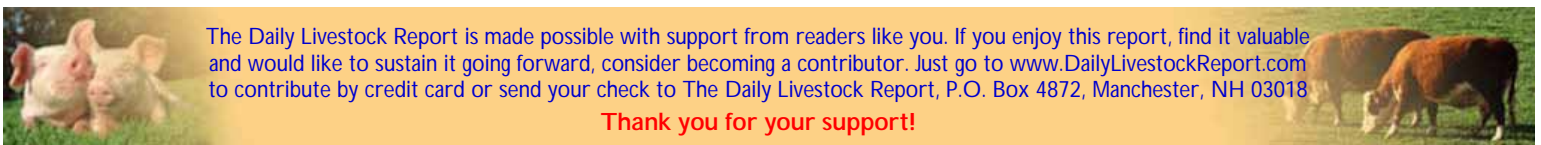
Includes Producer & Packer Hogs



	2011	2021 YTD	
1 NEGOTIATED	4.25%	1.24%	-3.01%
2 OTHER MARKET FORMULA	9.80%	7.43%	-2.37%
3 SWINE OR PORK MARKET FORMULA	38.39%	29.38%	-9.01%
4 OTHER PURCHASE ARRANGEMENT	15.24%	17.05%	1.81%
5 NEGOTIATED FORMULA		0.10%	0.10%
6 PACKER SOLD (ALL PURCHASE TYPES)	4.68%	6.81%	2.13%
7 PACKER OWNED	27.64%	38.00%	10.36%

Source: USDA Mandatory Price Reporting. Weekly Prior Day Swine Report.

see cash hog values gain in order to justify the full premium. There is also a lot of uncertainty about export demand. While Mexico stepped in and bought a bunch of bone-in hams when they were trading in the 70s, they may not be as aggressive now that hams are back in the 90s. Finally, Chinese hog prices continue to drift lower and Chinese hog futures posted another big decline yesterday. This has clearly created some doubts about ongoing Chinese demand, especially in the near term as US pork prices have skyrocketed and are at a premium to other markets. **We will give an update on weekly exports tomorrow.**



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