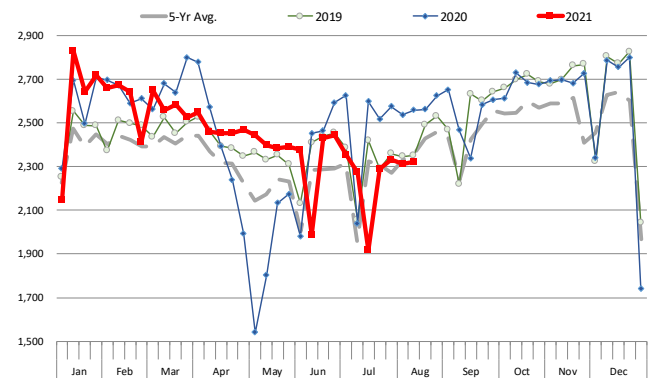


After making a small revision yesterday, USDA estimates that hog slaughter last week was 2.321 million head, 9.3% lower than a year ago. **In the last four reported weeks, hog slaughter has averaged 9.2% lower than last year.** This is a stunning decline in supply, and one could conclude that hog supplies are uncommonly low, maybe because of breeding decisions made last year, rising feed costs, disease pressures, or all of the above. But as the chart to the right shows, a big part of **the reason why the numbers are down so much is because they were artificially high last year.** Slaughter disruptions in April and May 2020 created a backlog of hogs that took some time to work through. Comparing hog slaughter to last year will confirm the belief that hogs are not there, but also lead to wrong conclusions about the market. It would be better, in our view, to measure current slaughter against both 2019 inventories and 2019 slaughter. During the last four weeks, hog slaughter has averaged 2.312 million head/week compared to 2.336 million head per week for the same stretch in 2019, a decline of about 1.1%. **We agree that hog slaughter has far outperformed expectations, it's just that a 2020 comp does not work very well. A better approach would be to look at 2019 inventory data vs. 2021.** The June USDA 'Hogs and Pigs' report suggested on June 1 there were 28.6 million hogs weighing over 120 pounds compared to 27.4 million hogs in that category in 2019. This would imply an average increase of about 4.3% during June, July and early August. Using weekly data, we calculate that hog slaughter since the first week of June through the first week of August was 22.651 million head, down 3.7% compared the same period in 2019. When adjusting for the Memorial Day mismatch in these two periods, **we calculate that slaughter so far is running about 2% lower than in 2019, a significantly different number than what the June survey suggested.**

Hog slaughter should trend higher in the next three months but it very likely will remain well below 2019 levels. The question is whether the mismatch with 2019 numbers will change as we go into September and October. One reason for the mismatch in June and July could be that producers may have not marketed hogs as aggressively. Weights of producer owned hogs actually were higher in July when normally they decline, so there may be a little of that going on. Still, the inescapable conclusion is that the June survey was off and there are fewer hogs on the ground than what many expected. The decline in hog availability has been further exacerbated by lack of labor to trim/fabricate pork cuts. As a result prices for boneless products and trim have been significantly higher than expected, bolstering the overall value of the cutout. High prices for competing products (beef trim, chicken trim), strong demand for less expensive protein and processors caught short, all have contributed to runaway trim market recently. Ham primal value last night traded about 20% higher than the value of 23-27# hams, suggesting that higher price for boneless hams and trim are bolstering overall cutout values.

WEEKLY HOG SLAUGHTER, '000 HEAD

Source: USDA. Analysis by Steiner Consulting



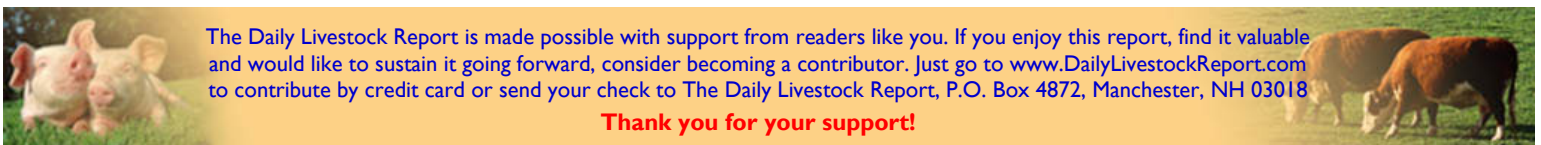
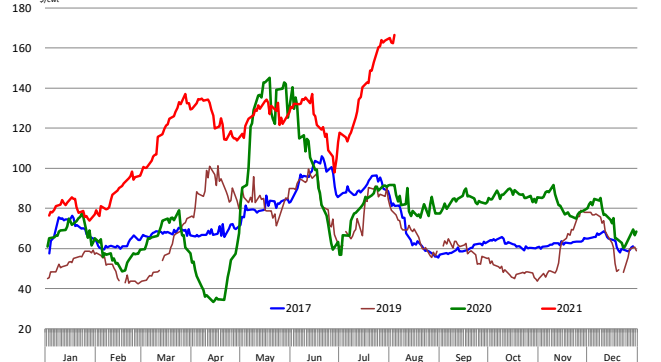
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Aug 6, 2021. Analysis by Steiner Consulting



DAILY 72 TRIM PORK VALUE

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



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