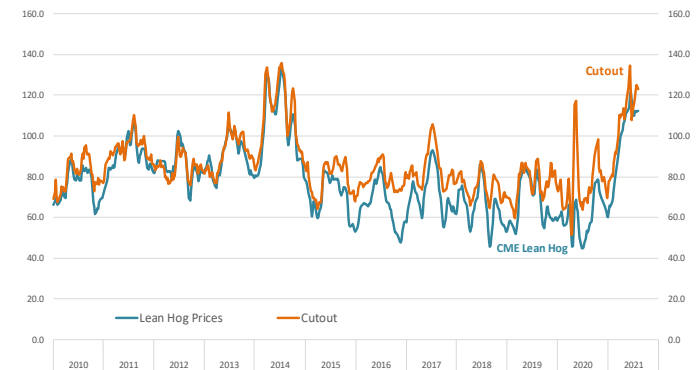


Since we spent the last two issues of this report last week talking about cattle, we thought it would be appropriate to shift our focus to the pork and hog market. One thing that has become quite apparent this year is that **changes in how hogs are now marketed has paid significant dividends for producers.** Formulas that tie the price of hogs to the price of meat have allowed hog prices, as measured by the CME Lean Hog Index, to take advantage of the improvement in wholesale prices. Unfortunately cattle producers cannot say the same thing. Since April, the pork cutout has traded at an average 1.06 multiple to the value of the CME Lean Hog Index. This compares to an average 1.03 multiple for the same period in 2019, 1.10 in 2018 and 1.16 in 2017. In the case of fed cattle, the choice beef cutout since April has traded at a 2.5 multiple to the price of fed steers. For the same period in 2019 the multiple was 1.9, in 2018 it was also 1.9 and in 2017 it was 1.8.

As we go into the fall, there is a lot of discussion about the outlook for pork prices overall, and what this implies for lean hog values. While everyone has an opinion, **there are now two functioning markets where people can vote with their money as to what they think this stuff will be worth.** Currently CME Lean Hog futures for October are priced at a little under \$89/cwt while the CME Pork Cutout futures for the same month are trading at around \$102/cwt. The \$13 spread is not particularly unusual. In 2019 (pre-COVID), the spread in the second week of October was \$12.5 and in 2018 it was \$12.1. What is a bit more difficult to assess this year is whether challenges with getting enough labor to process hogs will impact the spread. That did not seem to be an issue last year despite the COVID wave in the fall and winter. The spread last December was \$11.4 and this year we should see both an improvement in the COVID situation (vaccines, kids going to school, more experience dealing with outbreaks) as well as fewer hogs. The outlook for the cutout is a bit more difficult to assess. The pork cutout this summer has been especially strong. In July it averaged \$120/cwt and so far in August it has averaged \$124/cwt. **On Friday the cutout closed at \$125.68, largely because of that \$22 jump in the value of the ham primal.** But remember that the day before the ham primal was down big. All the volatility is due to the way in which USDA calculates primal values. Boneless hams are trading at a big premium to bone-in product because there is only so much labor available for boning and trimming. Depending on how much of each is traded in a given day, the primal value will change, sometimes by a lot. One of the risks for the market this fall is export demand. It is one thing to get product cleaned up when you are slaughtering 2.3 million hogs a week. What will happen when we slaughter over 2.6 million in October? Exports will be critical when slaughter picks up and packers will need to move more of the product for which they don't have sufficient labor to process to retail specs or convert to boneless muscles. Also related to exports is the risk from ASF, which is currently present in the Dominican Republic and may spread to Haiti. Puerto Rico is only about 100 miles away and it is very unclear how export markets may react if the disease gets there. Since it is US territory, it could very well mean that US loses its ASF-free status, offering a pretext to those countries that would like to shut out US pork. **Domestic demand is in excellent shape but 1 out of 4 pounds of pork goes to export, a key strength and a major vulnerability for the US pork and hog market.**

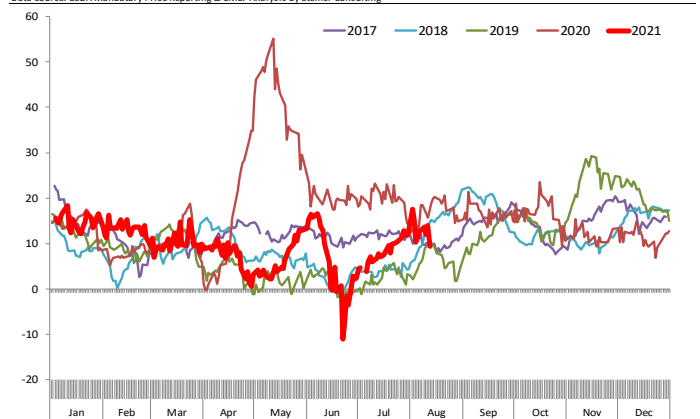
CME Lean Hog Index vs. Pork Cutout, \$/cwt

Data Source: USDA and CME. Analysis by Steiner Consulting



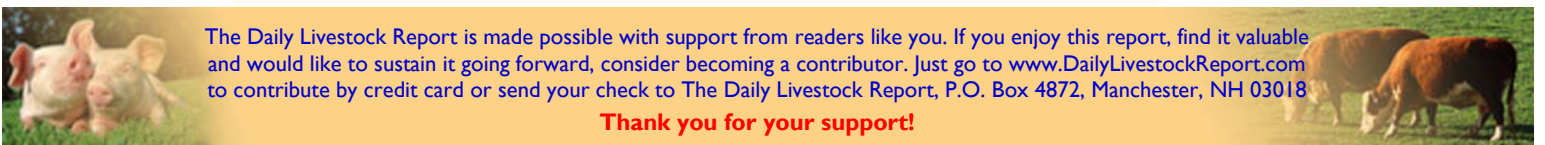
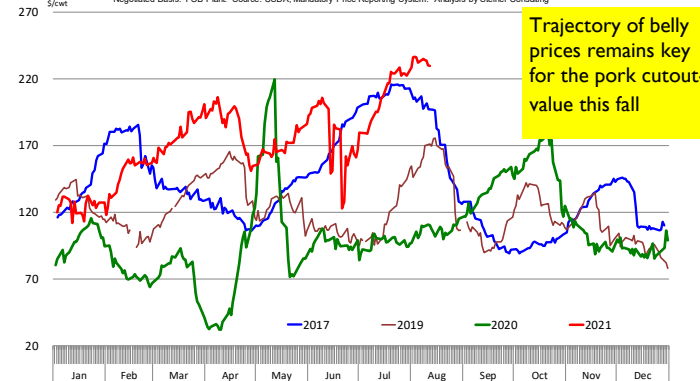
SPREAD BETWEEN PORK CUTOUT AND CME HOG INDEX, \$/cwt

Data Source: USDA Mandatory Price Reporting & CME. Analysis by Steiner Consulting



DAILY BELLY PORK PRIMAL VALUE

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



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **8/14/2021**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change	
		14-Aug-21	7-Aug-21		15-Aug-20				
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,926	1,909	0.92%	1,975	-2.45%	61,961	0.4%	
C	Fl Slaughter	Thou. Head	639	641	-0.31%	644	-0.73%	20,522	4.2%
	Fl Cow Slaughter **	Thou. Head	126	128	-1.84%	110	14.44%	3,915	4.8%
T	Avg. Dressed Weight	Lbs.	818	817	0.12%	836	-2.15%	827	0.0%
T	Beef Production	Million Lbs.	521.6	522.7	-0.21%	536.7	-2.81%	16,962	4.2%
L	Live Fed Steer Price	\$ per cwt	122.84	123.83	-0.80%	105.06	16.92%		
E	Dressed Fed Steer Price	\$ per cwt	200.16	198.20	0.99%	168.04	19.11%		
	Oklahoma Steer (600-700 lbs)	\$ per cwt	165.73	162.19	2.18%	148.35	11.71%		
&	Choice Beef Cutout	\$ per cwt	311.74	289.00	7.87%	209.91	48.51%		
	Hide/Offal	\$ per cwt, live wt	14.91	14.44	3.25%	7.59	96.44%		
B	Rib Primal, Choice	\$ per cwt	518.66	471.70	9.96%	349.16	48.55%		
E	Round Primal, Choice	\$ per cwt	252.63	235.41	7.31%	170.51	48.16%		
E	Chuck Primal, Choice	\$ per cwt	258.01	241.32	6.92%	164.62	56.73%		
F	Trimblings, 50%	\$ per cwt	166.47	149.31	11.49%	58.40	185.05%		
	Trimblings, 90%	\$ per cwt	275.74	275.63	0.04%	226.73	21.62%		
H	Fl Slaughter	Thou. Head	2,415	2,321	4.05%	2,561	-5.71%	78,663	-1.3%
	Fl Sow Slaughter **	Thou. Head	57.1	58.6	-2.49%	63.4	-9.90%	1,893	-4.3%
H	Avg. Dressed Weight	Lbs.	210.0	210.0	0.00%	211.0	-0.47%	215	0.2%
O	Pork Production	Million Lbs.	505.7	486.6	3.93%	540.2	-6.39%	16,937	-1.1%
G	Iowa-S. Minn. Base	Wtd. Avg.	99.65	100.93	-1.27%	37.67	164.53%		
S	Natl. Base Carcass Price	Wtd. Avg.	104.53	105.12	-0.56%	54.88	90.47%		
	Natl. Net Carcass Price	Wtd. Avg.	106.84	107.41	-0.53%	57.04	87.31%		
	Natl. Early Wean Feeder	Wtd. Avg.	43.76	44.21	-1.02%	22.08	98.19%		
	Pork Cutout	205 Lbs.	123.13	125.23	-1.68%	72.32	70.26%		
	Ham Primal	\$ per cwt	88.38	96.03	-7.97%	60.17	46.88%		
	Loin Primal	\$ per cwt	115.47	116.42	-0.82%	72.02	60.33%		
	Belly Primal	\$ per cwt	232.44	233.78	-0.57%	106.86	117.52%		
	Trimblings, 72%, Fresh	\$ per cwt	152.76	164.42	-7.09%	78.36	94.95%		
	Hog By-Product Value	\$ per cwt, live wt	5.53	5.44	1.65%	3.77	46.68%		
C	Young Chicken Slaughter *	Million Head	164.7	165.2	-0.30%	165.4	-0.40%	5,169	-1.3%
H	Avg. Weight (RTC)	Lbs.	4.83	4.79	0.95%	4.77	1.27%	6.36	1.3%
I	Young Chicken Production (RTC)	Million Lbs.	796.3	791.2	0.65%	789.5	0.87%	24,972	-0.1%
C	Eggs Set (19-state)	Million	238.1	240.9	-1.16%	231.3	2.95%	7,620	2.0%
K	Chicks Placed (19-state)	Million Head	187.1	186.5	0.29%	186.9	0.09%	5,982	0.4%
E	National Composite Whole Bird	Composite	105.05	104.98	0.07%	66.50	57.97%		
	Northeast Breast, B/S	\$/cwt	181.6	181.22	0.21%	116.95	55.28%		
	Northeast Leg Quarters	\$/cwt	42.29	43.85	-3.56%	26.08	62.15%		
T	Total Turkey Slaughter *	Million Head	4.065	4.356	-6.68%	4.408	-7.78%	118.820	-6.5%
U	Avg. Weight (RTC)	Lbs.	25.25	24.83	1.70%	24.56	2.81%	-	-100.0%
R	Turkey Production (RTC)	Million Lbs.	102.6	108.1	-5.10%	108.3	-5.19%	3,090	-6.8%
K	National Hen (8-12 lb)	8-16 Lbs.	NQ	129.33	#VALUE!	110.67	N/A		
G	Corn, Omaha	\$ per Bushel	6.32	6.36	-0.63%	3.13	101.92%		
R	Soybeans, Cntrl IL	\$ per Bushel	13.90	14.18	-1.97%	8.99	54.62%		
A	Soybn Meal 48%, Cntrl IL	\$ per Bushel	363.00	353.50	2.69%	291.10	24.70%		
I	Distillers Grain, IL	\$ per Bushel	184.00	182.00	1.10%	136.00	35.29%		

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

*** Please note that the number of business days is different from one year to the next, which affects the YTD calculation

