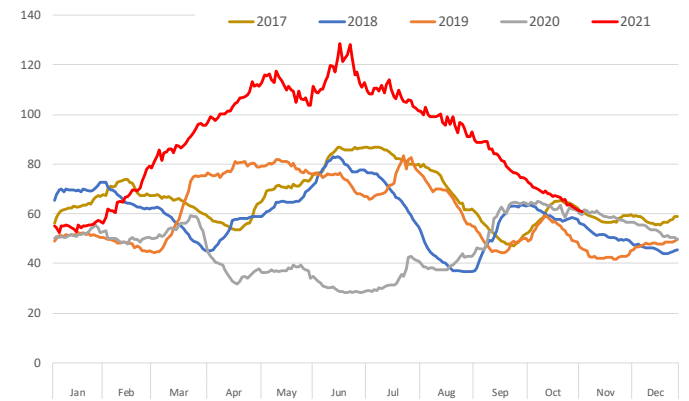


Cash hog prices have come under some pressure in the last couple of months due to seasonally higher supplies, ongoing labor issues at processing plants and uncertain export demand. But talking about “hog prices” is far more complicated today than it was 10, 15 or 20 years ago. Hogs these days are priced through a myriad ways that reflect both what gets negotiated in the spot market as well as the price of pork traded at wholesale (cutout) each day. Some formulas also account for special attributes (gestation crates, antibiotics used, etc). The pricing will get even more convoluted once California Prop 12 goes into effect on January 1, 2022. For the week ending October 30, the price of hogs traded ranged from \$62.90/cwt for negotiated hogs (carcass basis) to \$80.77/cwt for hogs that were priced used the so called “other purchase agreements.” The two day CME Lean Hog Index, which is used to settle the hog futures contract, was last calculated at \$79.04/cwt. Additionally, one has to consider that packers today own/control far more of the hog supply than they did in the past. YTD packer share stands at 38%.

But cash prices are one of the components that goes into pricing the CME hog index and traders pay close attention to both direction and degree to which prices have pulled back. **The average National negotiated cash hog price yesterday was quoted at \$60.98/cwt, the lowest price since early February and only slightly above last year’s cash price.** Hog prices in the cash market have come under pressure despite the relatively light pace of slaughter in the last few weeks. Last week hog slaughter was 2.551 million head, down 5.3% lower than a year ago and this week we think slaughter may be slightly under 2.6 million head, 3.8% lower than a year ago. In the last four weeks hog slaughter has averaged 3.5% below year ago while the latest ‘Hogs and Pigs’ report implied a decline of 1.4%. Normally the low slaughter pace implies tight hog supplies and should correspond to robust cash hog prices. The fact that prices are declining coupled with a faster than normal increase in hog weights (see chart) suggests that producers may have fallen a bit behind in marketings. While hog supplies are indeed lower than a year ago, challenges in staffing processing plants have contributed to the decline in slaughter and slowdown in marketings. Yesterday, for instance, USDA revised down its initial estimate for Monday slaughter, from 481k head to 472k head. Our guess would be that a plant did not run both shifts. Given the seasonal increase in hog supplies during this time of year, packers rely on Saturday slaughter to bolster capacity. But getting people to work Saturday shifts has become more difficult. Last week Saturday slaughter was 156k head compared to 249k a year ago and 239k in 2019. In the near term hog supply appears to be plentiful relative to slaughter capacity. However, the hog inventory report implied a 6% y/y decline in slaughter starting in December. At that point the focus will start to shift from the near term supply/capacity issues to post-holiday domestic and export demand.

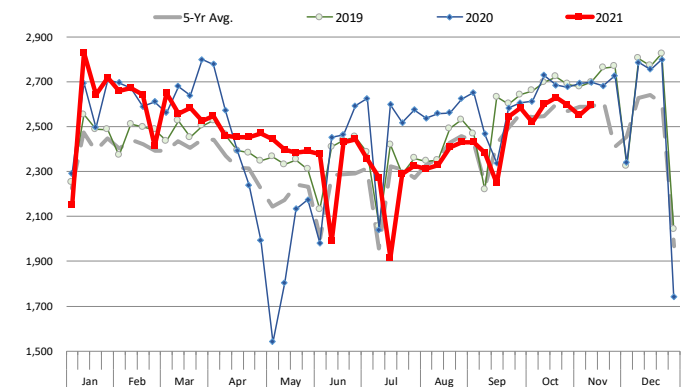
Daily Cash Hog Prices. National Price. Negotiated. \$/cwt

Source: USDA-AMS (LM_HG200). Analysis by Steiner Consulting



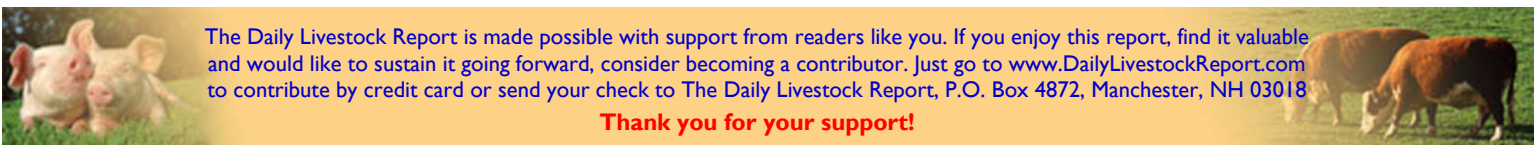
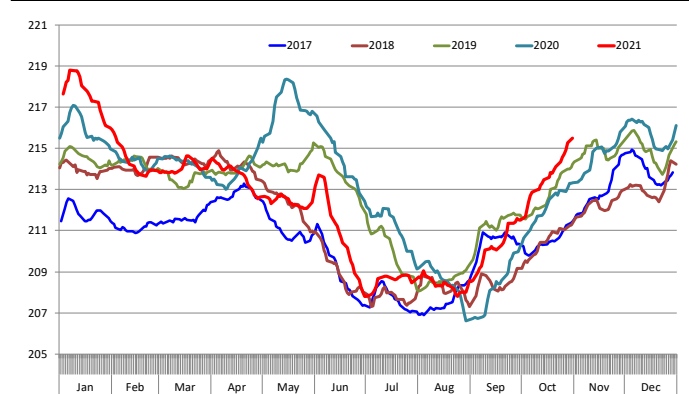
WEEKLY HOG SLAUGHTER. '000 HEAD

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 Nov 1, 2021. Analysis by Steiner Consulting



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