Daily Livestock Report

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Correction: In our report yesterday we included a map showing total hay inventories as of December 1 as well as hay inventories at the state level. However, the state level data was not updated so we have reproduced the map with the updated information on page 2 of this report. Apologies for the oversight.

Cash hog prices remain weak, and for good reason. **There are simply too many hogs on the ground that need to go to market and, at least in the short term, this means lower prices are needed in order to clear the market**. You can blame some of this on holiday disruptions, which appear to have set back many producers and resulted in a dramatic increase in the weight of hogs coming to market. Weather conditions do not impact hogs to the degree they impact cattle but a relatively mild winter may have also contributed to the explosion in weights. USDA official weight data is two weeks behind at this point so the best indicator at this point remains the weight of barrows and gilts as reported by AMS in their mandatory price reporting data set. The chart to the right shows the average weight of producer owned hogs that have come to market in the last few days. We calculate that in the five days ending November 10, **the average weight of producer owned barrows and gilts was 217.058 pounds, 2.256 pounds or 1.1% higher than the previous year**. Remember that it was in late November we saw a similar explosive trend in barrow/gilt weights, which corresponded with the slide in cash hog prices. Faced with the prospects of discounts for bringing to market out of spec hogs producers have little choice but lower the price and try to get as many as possible out the door. It is also possible that some producers are managing their marketings differently, which in the short term may result in higher than normal weights. But largely we think this is a result of the two weeks of holiday disruptions. Those disruptions were particularly significant in 2019 as the holidays were smack in the middle of the week. Hog slaughter for the week ending December 26 was 2.029 million head and for the week ending January 4 it was 2.293 million head. This compares with an average 2.8 million hogs that came to market in the first three weeks of December. Last week, hog slaughter was once again over 2.7 million hogs and on Monday hog slaughter was near full capacity at 498,000 head. The December 1 'Hogs and Pigs' USDA survey indicated the supply of +180 pound hogs was 6.7% higher than the previous year. Since the first week of December, hog slaughter has been a total of 15.438 million head, 4.1% higher than last year. For all the big slaughter numbers we have seen in recent weeks, it appears producers are running a bit behind, reflected in those big hog weight gains.

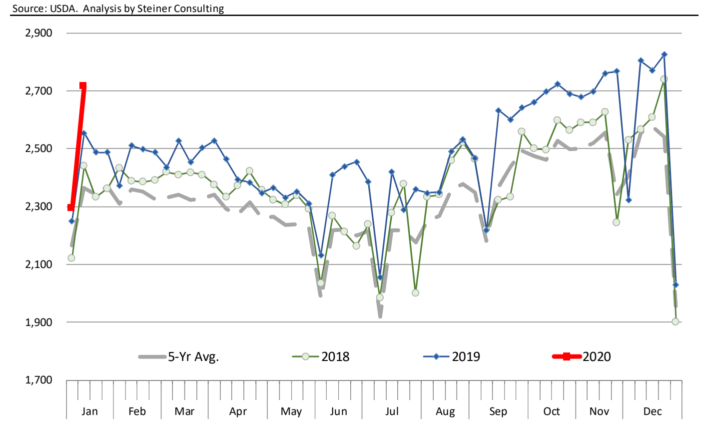
The increase in the supply of pork coming to market has helped keep the cutout in check although **we think overall pork demand remains in good shape, evidenced by the y/y increase in the price of most pork primals**. The biggest drag for the cutout remains the value of bellies. Record production and ample freezer inventories have negatively impacted belly values in the near term. The belly primal gained $8/cwt yesterday but remains about $47/cwt or 32% lower than last year. **The decline in the value of bellies has subtracted about $7.4/cwt from the value of the overall carcass**. Current belly prices should be attractive for retailers looking for Feb features but a disjointed forward pricing structure remains a key impediment. More on this tomorrow.

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

Based on Daily MPR Report, LM_HG201. Data through Jan 10, 2020. Analysis by Steiner Consulting

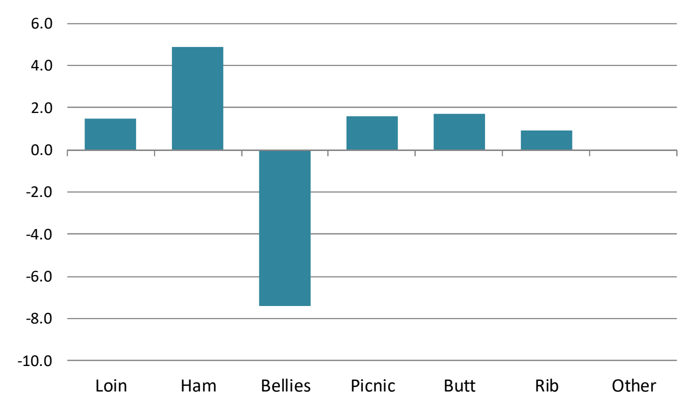
WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA. Analysis by Steiner Consulting



Contribution to the Y/Y Change in the Value of the Pork Cutout

Based on USDA-MPR data for Jan 13, 2020 vs. same week a year ago. Analysis by Steiner Consulting



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