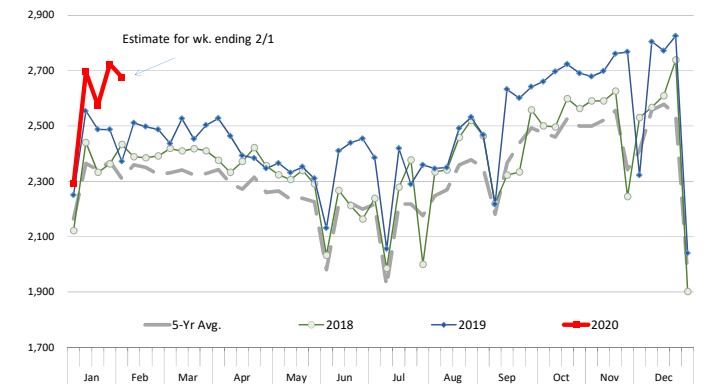


The number of hogs coming to market in the last two weeks has been significantly higher than a year ago. **Last week hog slaughter was estimated at 2.723 million head, some 236k head or 9.5% higher than a year ago.** Already in the first two days of this week hog slaughter has run at near full capacity of 498k head and we think for the entire week slaughter will be 2.676 million head. Saturday slaughter is always the deciding factor at this time of year in order to come up with a decent estimate of weekly slaughter. Last week Saturday slaughter was 332k head, a big number but not entirely unprecedented. Last year we had a similar increase, albeit a week later than this year. For this week, based on the number of hogs currently scheduled for delivery to plants, we think Saturday slaughter will be around 225,000 head but that's just a best guess at this time. The point is that even with a 225k head slaughter this week, i.e. lower than last week, total hog slaughter could be about 13% higher than the same week a year ago. These are some pretty hefty numbers and record large for this time of year. The pork cutout was down \$1.4/cwt yesterday but the decline should be put in the context of the big slaughter levels we have seen recently. Indeed, it is quite impressive from a demand perspective that the cutout is still running 10% over last year's levels considering the supply coming through.

The big slaughter numbers invite some additional questions. Are we getting more hogs than what the December 1 inventory suggested? The inventory survey breaks down the number of market hogs in various weight categories so one can gauge when those hogs might come to market. But marketings are vulnerable to real world events: weather, holidays, product demand, etc. Combined slaughter in the four December weeks and first two weeks of January was 15.429 million head, 4.2% higher than the same six week period in 2018-19. This is about 3 points lower than the reported number of +180lb. hogs in the latest survey. Holiday disruptions likely played a role in the slower marketings. Slaughter in the last three weeks is up 8.5% from a year ago compared to 4.6% increase in the 120-179 lb. category. The recent increase is indeed higher than the survey suggested but it is important to look at the context of slaughter in the previous marketing window. Going forward, it is important for market participants to consider the seasonal decline in slaughter that is ahead of us. Slaughter in late February, March and early April (Apr hog contract) is projected to be up only about 2% from year ago levels. Weekly slaughter during that period averaged 2.474 million head so a 2% increase would put weekly slaughter at 2.52 million compared to +2.6 million we are seeing currently and +2.8 million we saw in December. Tighter hog supplies should increase competition for hogs and bring the price spread between the index and cutout to more "normal" levels.

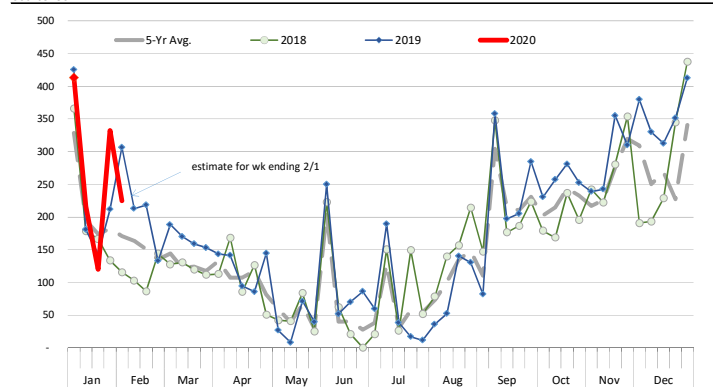
## WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA, Analysis by Steiner Consulting



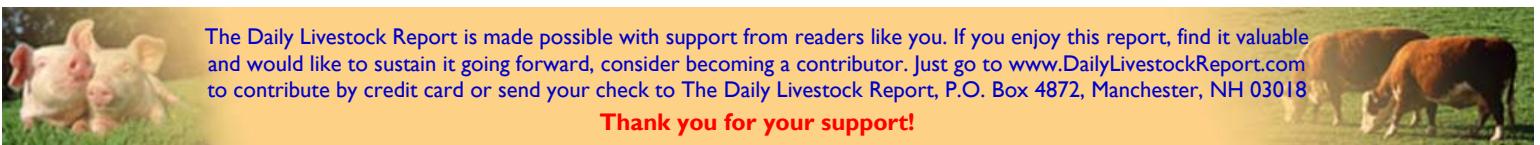
## SATURDAY HOG SLAUGHTER. '000 HEAD

Source: USDA



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

Data Source: USDA Mandatory Price Reporting



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