Daily Livestock Report

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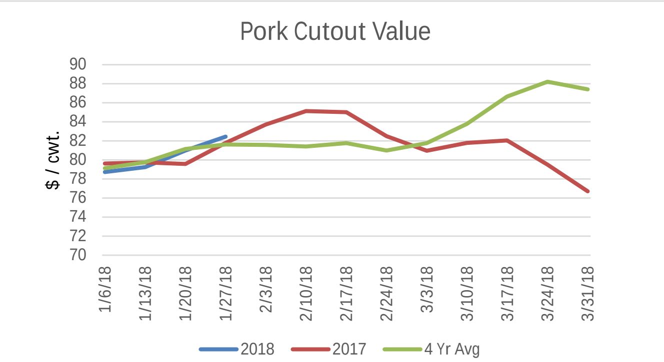
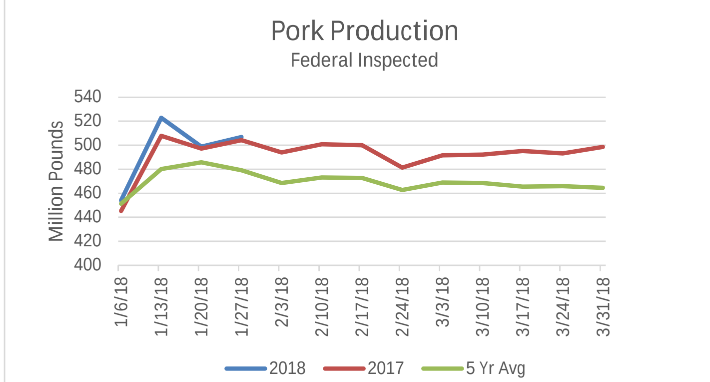
Hog slaughter for the first four weeks of 2018 was up 1% from a year earlier. The USDA Hogs and Pigs report released in late December pegged the inventory of hogs to be marketed during this time period to be up 2%. Also, pigs born during the June-August period of 2017 also were 2% greater than a year earlier, a key indicator of the source of slaughter hog supplies for earlier 2018. Average hog carcass weights at processing time have been fractionally higher, leading pork production to be up 1.8% from 2017 during the first four weeks of the year.



Data Source: USDA-AMS
Livestock Marketing Information Center

One of the surprises of last year's meat markets was the pork price rally early in the year. Pork production in the last three weeks of January 2017 was up 2% from a year earlier, yet the pork cutout (the composite value of pork products that make up a hog carcass) was up 9% from the same weeks in 2016. The performance of the pork cutout so far this year lends credibility the improvement in pork demand last year, as the pork cutout value during the last four weeks has been even higher than a year ago (by a few decimal points), even with slightly more production. Volatility in hog prices looks to continue due to belly price trends in 2018.

The last week in January of a year ago was really the point in time where there was an awareness that 2017 might be different. The value of the pork belly primal cut jumped $18/cwt from the prior week, easily the biggest increase for that week of the year ever seen. The catalyst for the price increase was probably the USDA-NASS (National Agricultural Statistics Service) Cold Storage Report that showed record low January 1 frozen pork belly inventories (going back to the early 1970's). In the month that followed, pork belly prices proceeded to reach record high values.



Data Source: USDA-AMS
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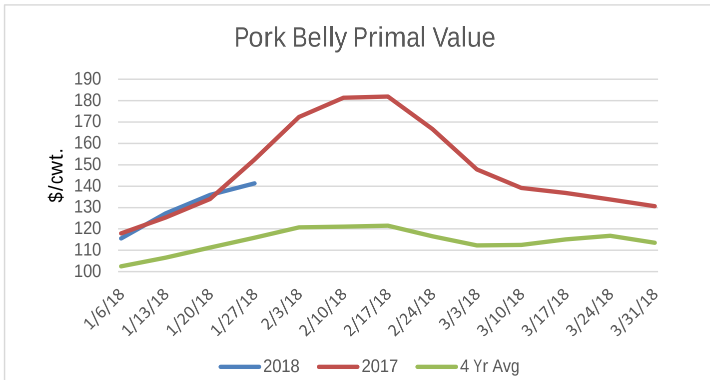
Last week the pork belly primal cut value moved up $5 per cwt from the prior week, a shadow of the gain a year earlier but similar to the increase in the same week in 2016. Freezer inventories of pork bellies on January 1 were reported to be 39.7 million pounds by USDA-NASS, up from 18.0 million pounds a year earlier and a 53.4 million pound inventory at the start of 2016. In 2016, the pork belly primal value moved up in each week from the first week in February through the third week in March, although the weekly gains were not dramatic. On Monday, the pork belly primal value was up another $5 per cwt from Friday. This week a year ago saw the belly primal value increase $20 per cwt followed by a $19 increase in the second week in February. By the end of March, however, the belly primal value had dropped back below the value registered in the third week in January.



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