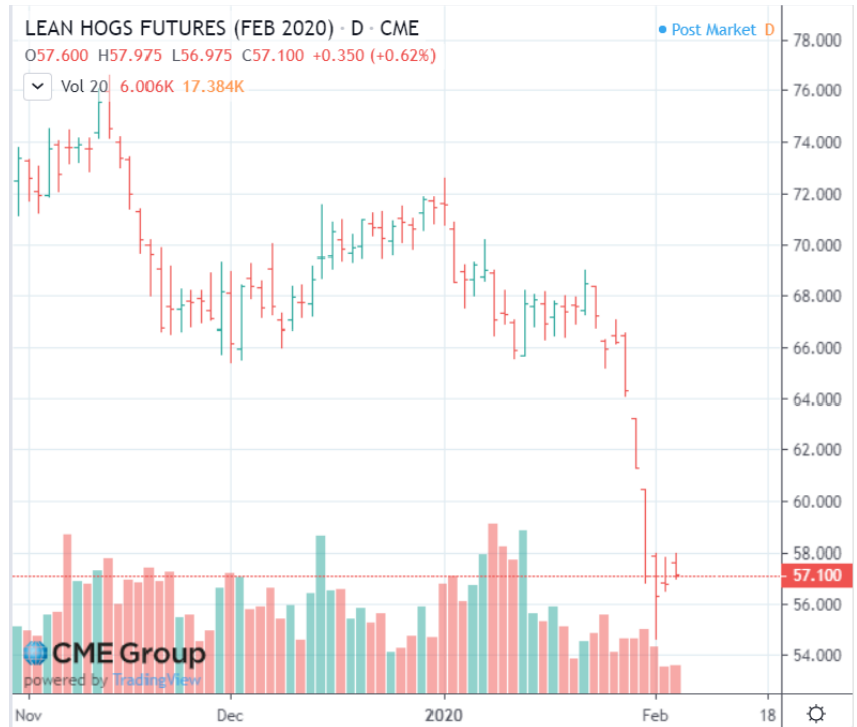


The nearby lean hog futures contract (FEB) has been experiencing intense pressure following the news of the Coronavirus outbreak. On January 29, 2020 the FEB 2020 contract opened at \$66.500 per cwt, peaked at \$66.600, but dropped to a low of \$64.125 before closing at \$64.300, a \$2.20 per cwt (3.3% drop) spread between the open and close. The following day the contract opened at \$63.250 per cwt and closed at \$61.300, a 3.1% drop. Similarly, on January 31 the contract opened at \$60.500 per cwt then dropped another 5.6% to a close of \$57.125. On February 3, the contract was still experiencing pressure with an open of \$57.875 per cwt and closing at a contract low of \$56.300. By the next day, February 4, the contract seemed to have reached a bottom closing at \$56.850 per cwt and as of the writing of this DLR the contract closed at \$57.100. In less than a week the February contract dropped 15.3% or \$10.2 per cwt which is a significant loss of value in such a short period of time. A similar story can be said for most of the 2020 lean hog contracts with sharp downward movements over the course of about a week.

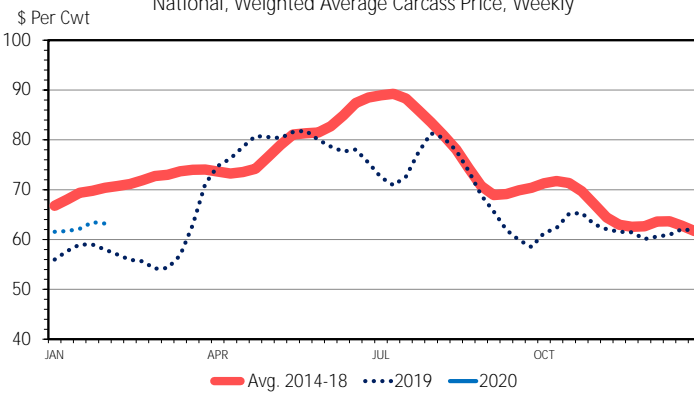


Daily weighted average base national hog carcass prices experienced some volatility over the same time period but not nearly to the extent that futures contracts did. On January 29, the cash price was \$64.16 per cwt, the highest value for 2020 and the highest seen since late October. January 31 the

price dropped \$2.54 (down 3.96%) to \$61.62 per cwt and as of the writing of this DLR the cash price was \$61.44. But the uncertainty surrounding the spread of the Coronavirus and the potential impacts to Chinese consumer demand from restricted travel that may lead to short-term economic impacts are weighing on US hog futures and cash prices.

### BASE SLAUGHTER HOG PRICES

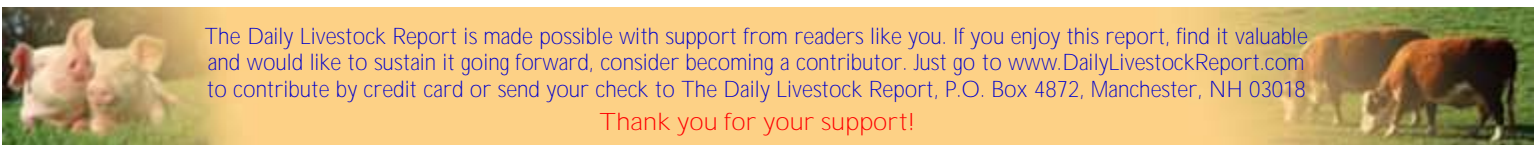
National, Weighted Average Carcass Price, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

H-P-23  
01/27/20

The volatility in US prices as a result of changing global dynamics highlights that US domestic pork demand is being stretched as per capita consumption of pork (retail weight) for 2019 was over 52 pounds per person, the highest in over two decades. Record pork production for 2019 is also leading to a significant supply of pork on the domestic market. A saturated domestic market and growing supplies spells trouble if exports fail to materialize. In 2019, nearly one out of every four hogs produced was exported with China quickly becoming a key destination. Pork production is forecast to remain on a strong pace for 2020, assuming demand stays constant, this means more pork will need to be exported to meet the strong gains projected and keep hog prices at profitable levels.



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