

**Feeder pig prices have performed better than some expected at the start of the year but it appears that seasonality has finally started to catch up with this market,** especially as we start to move past demand for summer needs.

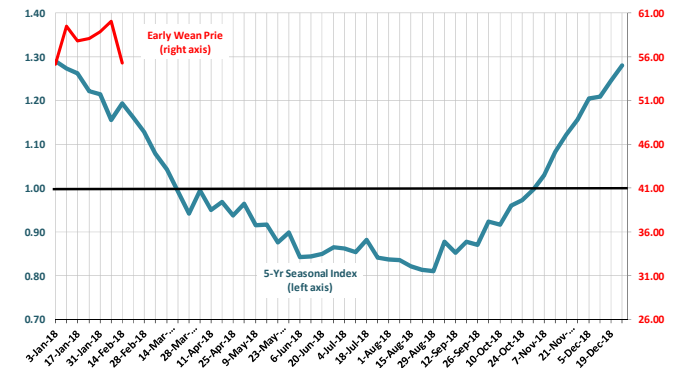
Each week USDA reports on the number of feeder pigs that are traded and the average price, both on a formula and cash basis. Prices are reported for two categories of feeder pigs, early wean pigs that weight 10-12 pounds and feeder pigs that weight around 40 pounds. Most feeder pigs traded are early wean 10-12lb. basis. For the week ending February 16, USDA reported the average price of early wean 10-12lb feeder pigs at \$47.88/head on a formula basis and \$68.21/head on a cash basis. The premium of formula vs. cash may appear quite dramatic but it is not that unusual, there is a strong seasonal in the premium as well. As we go into the summer months, cash will trade at a significant discount to formula. On an annual basis the seasonal differences wash out. Last year the average formula price of early wean feeder pigs was \$39.9/head vs. an average price of \$37.2/head in the cash market. The volumes traded in the market on a weekly basis are rather small relative to overall slaughter. For the most recent week USDA reported pricing on 51,049 early wean pigs traded on a formula basis and another 29,225 head traded on a cash basis. Consider that total hog slaughter ranges between 2.2 million per week in the summer months and +2.5 million per week in the fall. Many of those hogs will likely be raised in farrow to finish operations and thus will not be traded in the feeder market. Still, this is one of those factors that participants consider when trying to understand supply availability and producer margins.

**The two charts to the right show the five year average price seasonal factor for the two classes of feeder pigs.** The seasonal factor (green line in the chart) is a measure of how prices in each week of the year compare to the annual average. In the case of early wean 10-12 feeder pigs, prices at the start of the year on average have been about 28% higher than the annual average while prices at the end of August have averaged 20% under the annual average. We lined up the seasonal factor chart with prices in the first week of the year and it is clear that **so far prices have performed better than what the seasonal would suggest.** The charts also offer an indication as to what prices to expect based on seasonality alone. The bottom chart shows the ratio of early wean feeder pigs with lean hog prices 5.5 months into the future. Currently the ratio of feeder pig prices to summer futures is around 0.67 (feeder pigs at \$55 vs. lean hog futures at \$82).

One can view the ratio above as a measure of producer profitability. When the ratio is low, it means a lower price for feeder pigs relative to cash hogs. Last August the average price of early wean 10-12lb. Feeder pigs was \$29.4/head while last week the IA/MN base price was around \$67/cwt, thus a ratio of .44, near the bottom of the range for the last five years.

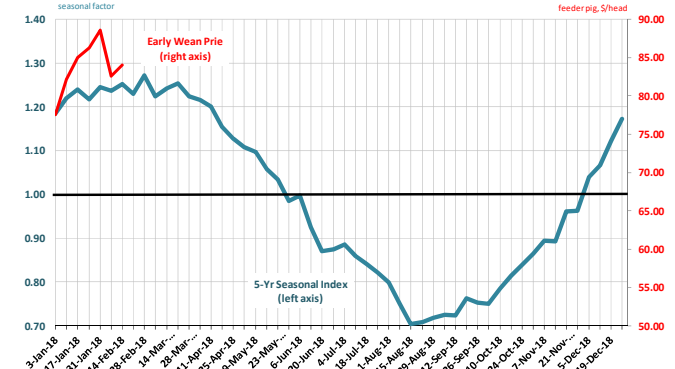
**Early Weaned Pigs 10-12 lb Basis, Wt. Avg. of Cash and Formula Trades, USDA Wt. Avg.**

Source: USDA Weekly Feeder Pig Report. Seasonality Analysis by Steiner Consulting

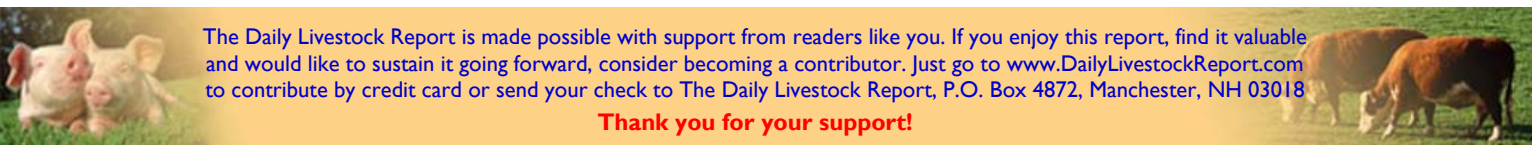
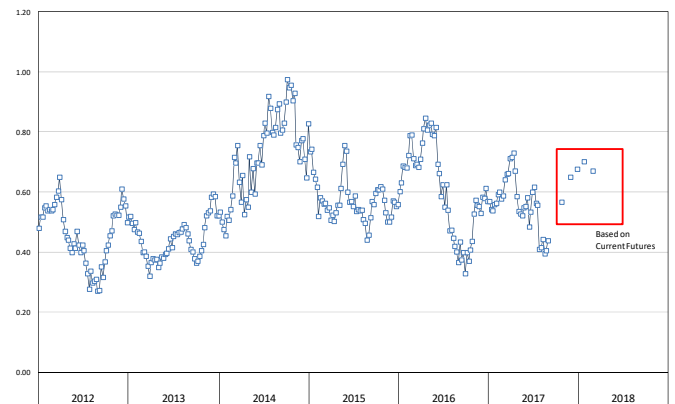


**Early Weaned Pigs 40 lb Basis, Wt. Avg. of Cash and Formula Trades, USDA Wt. Avg.**

Source: USDA Weekly Feeder Pig Report. Seasonality Analysis by Steiner Consulting



**RATIO OF FEEDER PIG PRICE VS. SLAUGHTER BARROW/GILT PRICE 5.5M FORWARD**  
Early Wean 10-12lb. Basis. + Futures on February 21, 2018



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