

IOWA / MINNESOTA AVERAGE HOG BASIS

Negotiated Base Carcass ^{a,b}

(Cash Minus Futures)

February											April								
Week	Ending	2014	2015	2016	2017	2018	2019	Avg. 13-17	Std Dev	Week	Ending	2014	2015	2016	2017	2018	2019	Avg. 13-17	Std Dev
14	11/10/18	-10.42	-1.64	-3.35	-9.48	-10.27	-5.86	-6.19	3.79	01/05/19	-12.58	-7.20	-14.68	-13.02	-13.38	-20.13	-10.94	3.50	
13	11/17/18	-10.14	-4.20	-4.89	-12.51	-9.15	-12.41	-8.39	3.65	01/12/19	-12.86	-6.04	-14.07	-8.53	-6.97	-16.03	-9.30	4.04	
12	11/24/18	-11.99	-4.59	-5.18	-13.13	-11.67	-16.23	-9.28	4.06	01/19/19	-13.62	-3.41	-12.56	-5.71	-6.02	-13.89	-7.60	5.14	
11	12/01/18	-9.87	-2.89	-6.04	-14.53	-11.82	-16.73	-8.01	4.40	01/26/19	-13.20	-5.54	-10.64	-4.08	-5.15	-11.97	-7.05	4.73	
10	12/08/18	-9.92	-1.63	-5.99	-9.26	-10.44	-19.35	-5.41	4.38	02/02/19	-11.23	-6.00	-8.10	-2.16	-1.85	-10.65	-5.91	3.93	
9	12/15/18	-9.99	-0.89	-6.88	-7.15	-10.46	-19.09	-6.14	3.32	02/09/19	-9.95	-6.97	-6.22	-0.11	1.43	-11.15	-4.54	4.58	
8	12/22/18	-9.17	-3.46	-8.15	-8.97	-12.77	-17.71	-6.86	2.66	02/16/19	-7.29	-7.75	-6.13	3.43	-2.21	-11.14	-4.06	4.65	
7	12/29/18	-9.38	-5.84	-8.27	-11.87	-13.90	-15.92	-8.26	2.52	02/23/19	-4.89	-2.95	-6.18	3.86	-6.22	-7.68	-3.05	4.03	
6	01/05/19	-8.22	-5.78	-10.37	-13.14	-8.91	-14.62	-8.27	3.67	03/02/19	-6.85	-1.73	-7.11	0.52	-6.20	-10.08	-4.09	3.35	
5	01/12/19	-7.35	-5.00	-9.19	-9.41	-3.71	-12.00	-6.57	3.15	03/09/19	-5.37	-1.98	-7.26	0.16	-5.64	-12.86	-3.63	2.88	
4	01/19/19	-7.72	-4.00	-8.56	-4.44	-3.19	-9.16	-5.00	3.29	03/16/19	-0.37	-1.45	-8.33	-2.78	-7.48		-3.84	3.35	
3	01/26/19	-6.41	-1.56	-7.43	-2.14	-2.88	-7.94	-3.40	3.38	03/23/19	3.84	-3.45	-7.82	-2.21	-7.07		-3.08	4.43	
2	02/02/19	-5.17	-2.08	-5.66	-1.96	-2.48	-6.23	-3.02	2.32	03/30/19	1.81	-5.85	-5.71	-3.02	-8.08		-3.53	3.19	
1	02/09/19	-3.17	-2.05	-2.90	-2.13	-2.32	-6.45	-2.01	1.34	04/06/19	-2.34	-3.30	-4.10	-3.69	-7.04		-3.11	0.85	

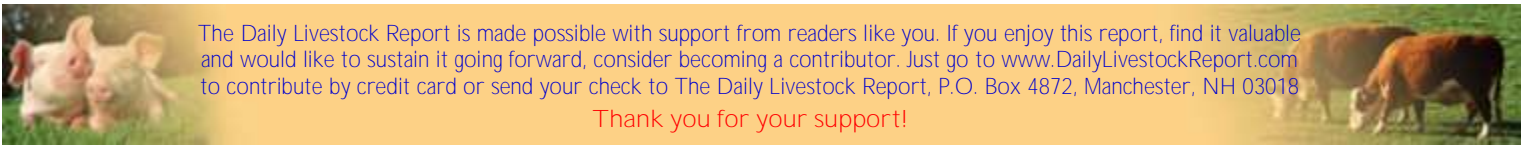
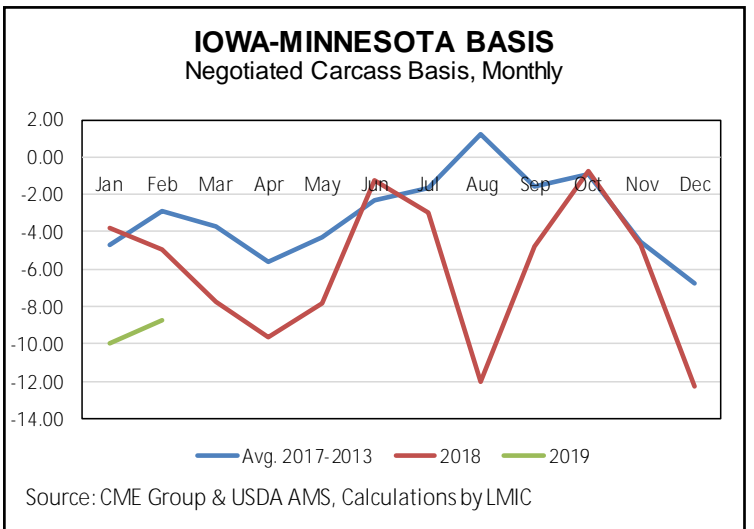
All of 2019 Lean Hog Contracts were limit up yesterday, taking three of the 2019 contracts over \$90/cwt. The rally put the April contract up to \$73.825 per cwt. Volatility in the Lean Hog Contract has piqued our interest in basis movements this year. The board currently is well ahead of cash trade. The national slaughter carcass base price closed out last week averaging \$45.95 per cwt, nearly \$30 below the April futures contract.

The volatility in markets can be seen in the 2018 and early 2019 monthly data. For the Iowa-Minnesota (IA-MN) hog market, the negotiated cash basis for the last five years (2013-2017) is small, and less than a \$5/cwt spread in most months. In 2018 IA-MN market saw basis for two months under -\$12 per cwt and three months showed spreads of larger than \$5/cwt., with cash trailing futures. The Western Corn Belt (CB) historical basis is also not exceedingly wide in most months with only two months under -\$5/cwt in April and December. In 2018 basis figures showed 5 months under -\$7/cwt. Early 2019, the basis is more than double that of the five year averages in both these markets. The basis in both markets was more than -\$10/cwt in January and in February the basis moved to between -\$8 to -\$9/cwt.

The weekly volatility has been even more incredible. Against the February contract the IA-MN basis was as large as -\$19 in late 2018, compared to an average basis of that is normally between -\$5 and -\$6/cwt. That trend has continued against the April and May contracts seeing double digits in the spread between cash and the

futures contract. Stretching out to the June contract the basis was below -\$30/cwt the first week of March.

The increased volatility should have hog producers ready to lock in profits now even if they believe the market will go higher. A well-thought out hedging strategy can help protect against basis risk and the downside risk if the African Swine Fever does not bring true the promise of much higher exports.



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