

Last week, the national weighted average base price of slaughter hogs (barrows and gilts) was the lowest for any week since the week ending September 30, 2017. For the first full week of April, that price was the lowest since 2009's. Hog prices have been moving in tandem with the wholesale market (pork cutout value). At \$69.60 per cwt., last week's the pork cutout value was the lowest since the week ending January 2, 2016.

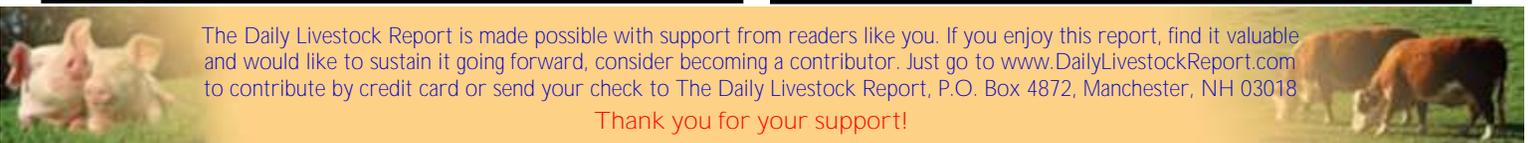
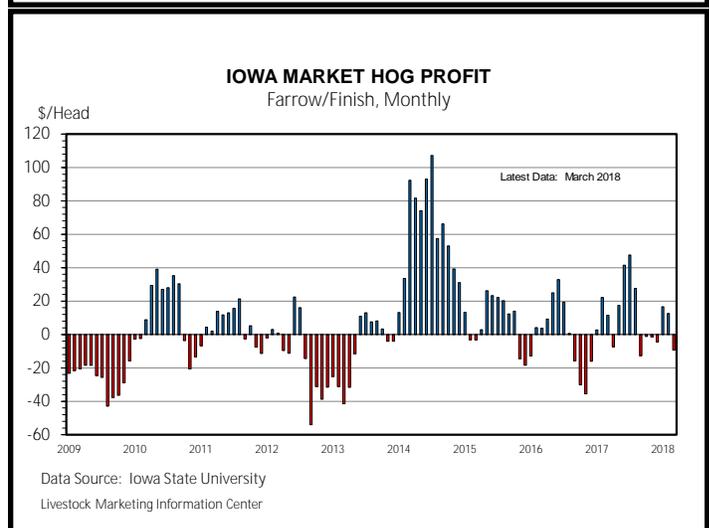
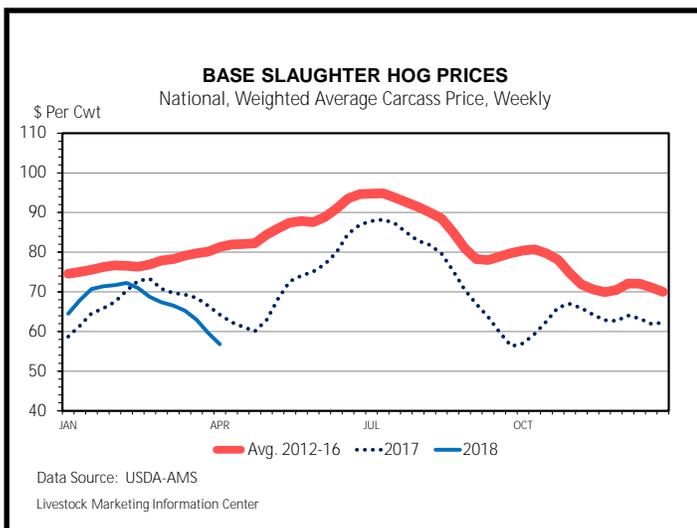
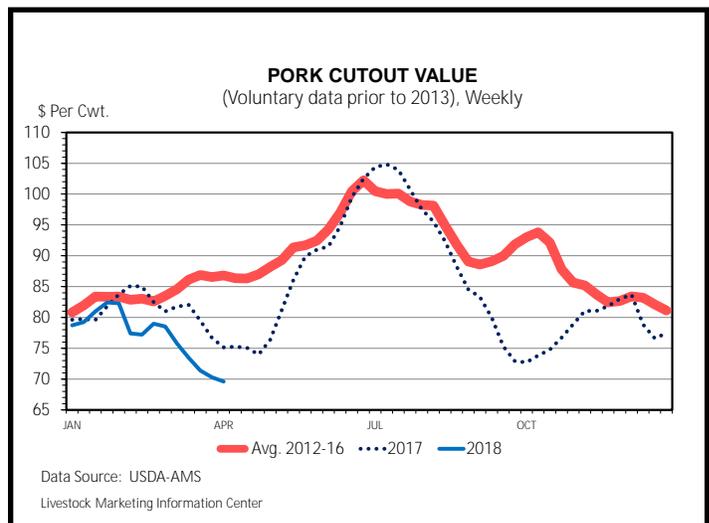
Large supplies of pork and animal-based proteins in total for this time of year have been the driver pressuring prices below a year ago. Projections put U.S. first-quarter commercial pork production up 3.7% year-over-year, while beef rose 2.7% and total poultry by 1.4%.

For eight consecutive weeks, slaughter hog prices have declined. Importantly, prices have moved counter-seasonally down. A very similar situation happened at this same time last year. Seasonally tightening market hog supplies tend to pull hog prices and the cutout value higher until about mid-July. That trend is likely to repeat in 2018 and is clearly being anticipated in the futures market. The April 2018 Lean Hog contract last week was \$52.74 per cwt. (average of the daily closing prices), while the June contract was \$74.88. We note that the futures market did not anticipate, nor did the author of this newsletter, April's price pattern. During the last five weeks, the April contract fell by \$15.42 per cwt., and June's contract slipped by \$4.93.

Slumping slaughter hog prices during March took profits on hogs sold during March into the red, according to Iowa State

University (ISU) calculations (the website is [here](#)). The estimated farrow-to-finish operation loss was \$9.34 per head sold in March, including the calculated manure credit value. The ISU profitability estimates include all costs of production and assume no hedging. A year ago (March 2016 sales), turned a profit of \$11.48 per head and for 2016 it was \$3.66.

Economic conditions for U.S. hog producers are not nearly to the point where production plans are being adjusted. But they have deteriorated compared to a year ago and deserve monitoring.



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