

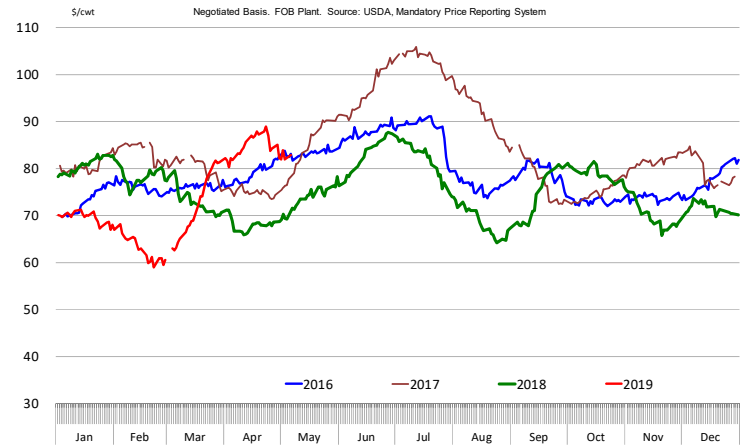
**Trade talks and tariff outlook is driving volatility not just in the hog futures market but the wholesale pork market as well.** In late March and April pork buyers had to take one glance at the June and July contracts and calculate the potential price increase for the specific cuts they normally buy. The items more vulnerable were those that, based on experience, have shown to have a very inelastic demand, namely bellies and trimmings. Fears that packers would be hard sold during those months as they sought to fill export orders likely caused buyers to jump in the market looking to cover not just immediate needs but also build safety stocks. The value of the pork belly primal on March 1 was around \$107/cwt and by mid April prices had jumped to the mid 160s, a 55% counter-seasonal jump in price. While exports have been higher in recent weeks, the primary driver behind that big jump was expectation of future inflation. Last night the belly primal value was quoted at \$115/cwt. The value of the 72CL pork trim between March 1 and mid April jumped from around \$44/cwt to \$101/cwt, a 131% jump. But now that summer futures have taken a step back, so has the appetite of buyers for chasing the market. If you are a belly buyer, it may be possible to justify paying \$165/cwt for a belly primal value equivalent if you think summer hogs will be over \$100/cwt. If summer hogs are priced at \$90 (or \$85 based on action this AM), that would be a really stiff price to pay even with normal seasonal price inflation.

Most market participants think that the shortfall in China pork supplies will drive global pork price inflation in the second half of the year and in 2020. But **how will a trade war between US and China impact the trade flows and demand for US pork?** Noone really knows. One could speculate that tariffs really do not matter since the Chinese government can purchase US pork through government owned entities. That is indeed possible but, for speculators that are long the market, it is not something they can really hang their hat on. **US threats to escalate the trade war and impose tariffs on all Chinese goods have caused a lot of panic in a hog futures market that only a few days ago was expecting a trade deal and big US export flows.** In the short term hog futures are hostage to headlines.

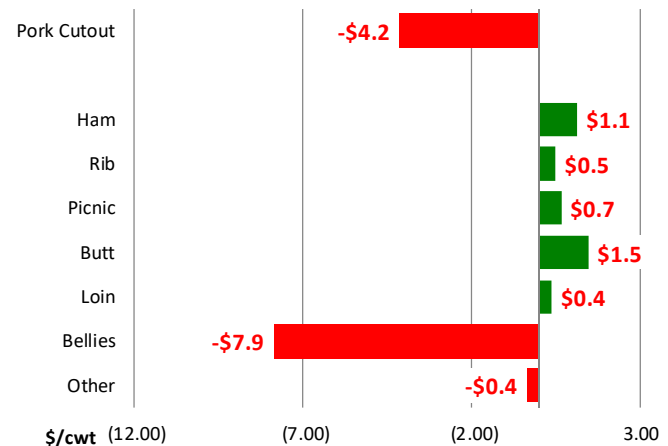
What does the current situation mean for retailers and foodservice operators? **US pork supplies remain plentiful despite all the fear of a big global shortfall in output.** Yes we will export more this year but there is no shortage of pork going into Memorial Day, or Father's Day, or the 4th of July. USDA count of supermarket ads shows a sharp decline in loin features. There is really no need for that, it seems foolhardy to ration out supplies based on what will potentially happen two, three, six months from now. If you are a retailer, focus on the next six weeks and supply availability in the next six weeks looks to be pretty good. Hog slaughter in the last four weeks has averaged almost 2.4 million head compared to 2.18 million just three years ago. We think this week slaughter will once again be around 2.35 million, maybe even

## Pork Cutout Value: 2019 vs. Last Three Years

Daily Prices. Source: USDA-AMS Mandatory Price Reporting



## Contribution of Each Primal to the Change in the Value of Pork Cutout May 6, 2019 vs. April 15, 2019



higher. Hog weights are also at record levels for this time of year, further bolstering pork production. This should help support retail ads for the important grilling holiday period. We are not advocating for buyers to be complacent or sit on their hands. ASF is a major concern and something that everyone needs to prepare for. But it is not a concern for Memorial Day and likely not a concern for 4th of July. For now, enjoy plentiful pork chops, ribs and bacon as BBQ season gets underway.

The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to [www.DailyLivestockReport.com](http://www.DailyLivestockReport.com) to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

**Thank you for your support!**

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.. To subscribe, support or unsubscribe please visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com).

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group®, CME® and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.