

CME Holiday Hours: Livestock futures will trade regular hours on Friday. No trading will take place on Monday in observation of Memorial Day. Trading will resume normal hours on Tuesday, May 29. Link below has full calendar:

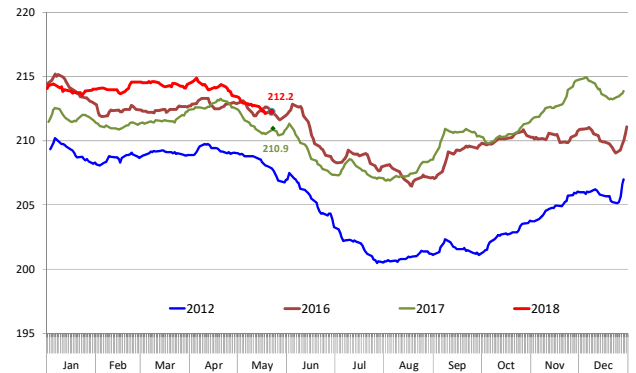
<http://www.cmegroup.com/tools-information/holiday-calendar.html>

Futures traders appeared to shrug off lower pork cutout values yesterday and prices were higher across the board. June and July gained 147 and 110 points, respectively. Solid gains were also registered for October (+117 points), December (+110) and February 2019 (+120). We agree that cutout values in the days leading to Memorial Day weekend are not the best indicator of summer market conditions. Retailers have covered Memorial Day needs at this point and packers are more concerned with trying to stay clean and not have too much product in their coolers over the long holiday weekend. Buyers are focused on holiday clearance rather than new orders. The holiday tends to skew the hog market as well. Hog weights are a case in point. Normally hog weights move lower into the summer months as hogs struggle with increasingly hot temperatures. Weights have been steadily coming down in the last few weeks but we should expect to see a little bump up in weights after the holiday. It happens just about every year (see chart) and we would caution about reading too much into the increase. Cash hog prices have been softer this week, which again may be more due to the short holiday week than a reflection of conditions in the market. While packers want to manage production and not run into shelf life issues with their product, producers want to get their hogs at the front of the line and not have to carry too many market ready hogs into next week.

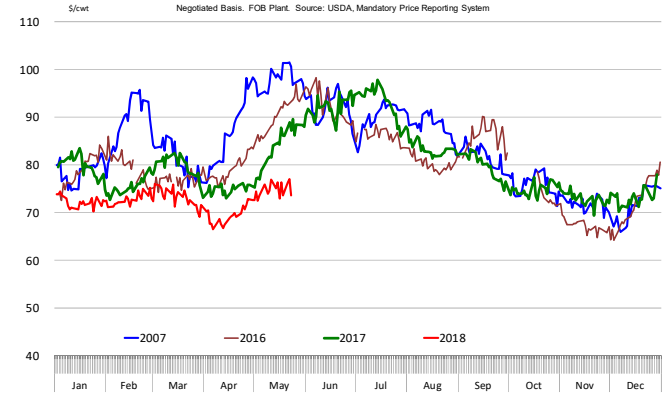
But as we look past the holiday week, there are some **notable concerns, and they mostly have to do with pork demand during the summer**. It is our opinion that extensive beef features for Memorial Day may have crowded out (some) pork sales in the short term. This could change in June and July, however, considering that pork currently offers significant value. Pork loin prices have failed to gain traction so far this spring even as pork loin exports into traditional Asian markets have been quite robust. The pork loin primal in May has averaged \$74.74/cwt, down \$7.6/cwt (-9%) than the same period a year ago. The value of the loin primal yesterday was only slightly higher than it was at the start of the month when normally we would expect higher prices as grilling season gets under way. The y/y decline in the value of the loin primal has removed about \$2/cwt from the overall value of the pork cutout. Currently hog futures are trading around \$74/cwt for June, which would imply a cutout around \$80/cwt. The question that market participants are pondering is where the additional values will come to get the cutout to those levels. We would think higher loin prices are needed in order to bridge the gap between current cutout value and what futures are implying. Ham values have also been soft. As we noted yesterday, end users have been in no rush to add to their freezer ham inventories as they perceive pork supplies in the second half of the year will be plentiful. Between loins and hams, half of the hog carcass has failed to establish an upward trend so far. Seasonally ribs and butts tend to peak in June. Getting bellies to carry the carcass into August may be a stretch.

Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

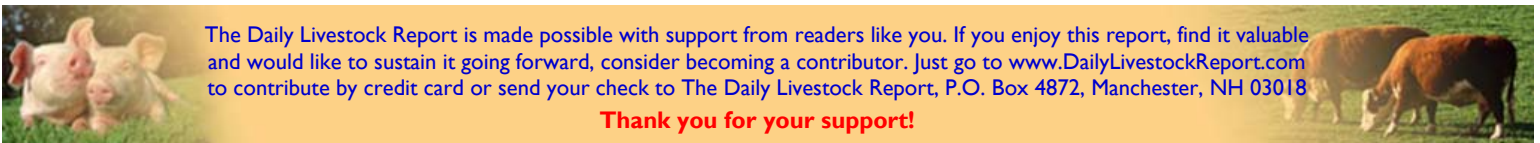
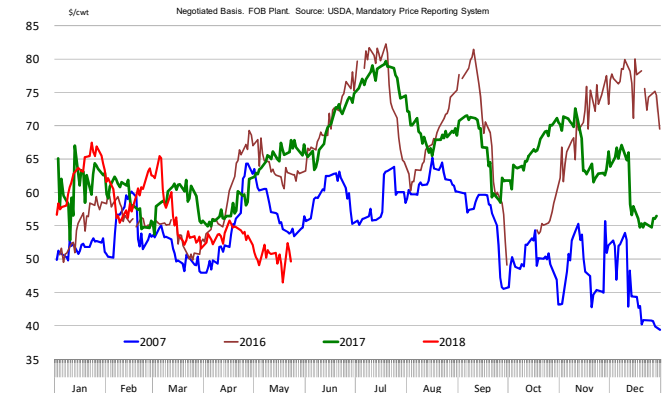
Based on Daily MPR Report, LM_HG201. Data through May 22, 2018



Pork Loin Primal Value



Ham Primal Value



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 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.

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.