

Last year's pork and hog markets could be described as "the year of the belly." That is, as belly prices went, which had some dramatic swings, so did slaughter hog prices, albeit to a lesser extent. Such a catchy moniker is not likely to be applied to 2018, even though we are less than halfway through this year. During 2017, the wholesale belly price was about the only pork cut that spent any time exceeding the average from 2012-16.

Earlier this year, in the wholesale pork markets, ham, belly and sparerib prices were generally at or above a year earlier levels. Last week, sparerib wholesale prices were above 2017's, but the year-over-year gain at 7 cents per pound (+4%) had moderated significantly (earlier this year it had been 13 to 20 cents per pound). Let's look at some other representative prices provided by USDA's Agricultural Marketing Service (AMS) last week, all of which were lower when compared to a year ago:

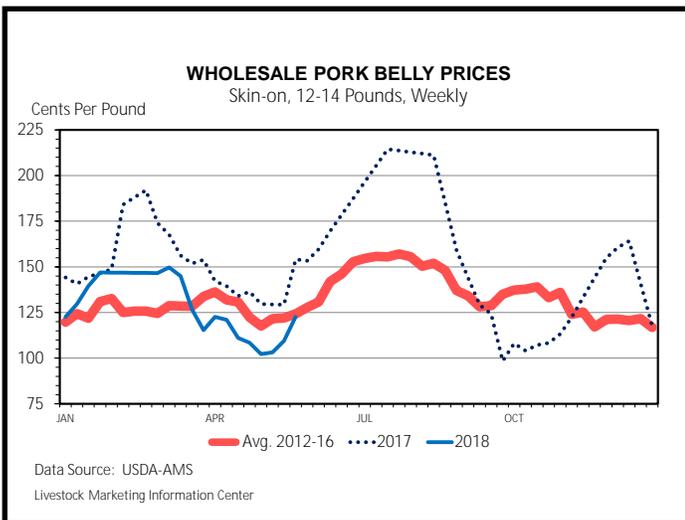
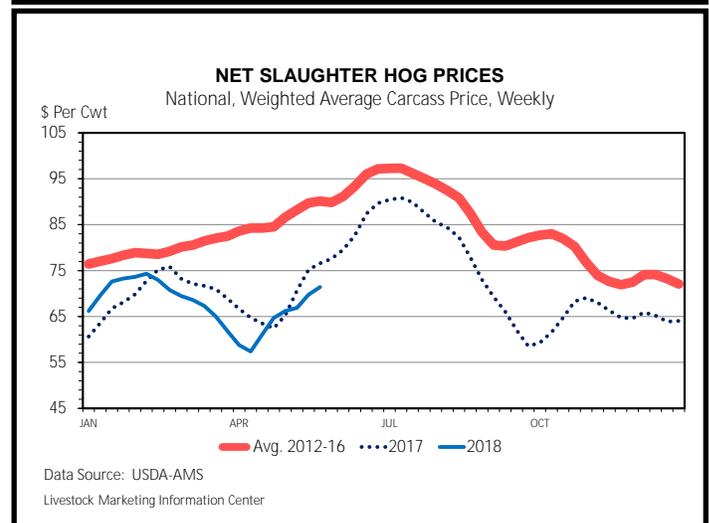
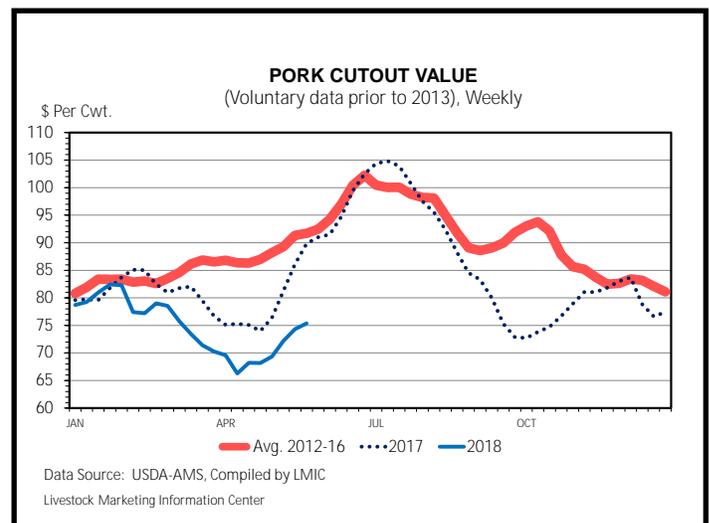
- Ham (trimmed selected 23-27 pound) declined 14 cents per pound (-20%).
- Loin (trimmed to 1/4 inch and vacuum packed) was down 18 cents (-16%).
- Belly (12-14 pound) was 31 cents below 2017 (-20%).

Lower cut prices have translated into declines in the pork cutout value compared to a year ago. Last week's cutout was \$75.35 per cwt., which was 15% below the same week in 2017. That was the lowest for the final week of May since 2009.

The wholesale market, as indicated by the cutout value, has been weaker than the price received by farmers. Nationally, the

net price paid to hog producers last week at \$71.40 per cwt., which was \$5.18 per cwt. below a year ago, or down 6.8%. That percentage decline is less than half that posted for the cutout value.

Of course, relative to the cutout value hog packers are paying more for hogs than a year ago. Last week, the LMIC estimated that the packer gross margin (cutout value plus byproduct value minus the animal cost all on a per animal basis) was about 36% below 2017's.



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