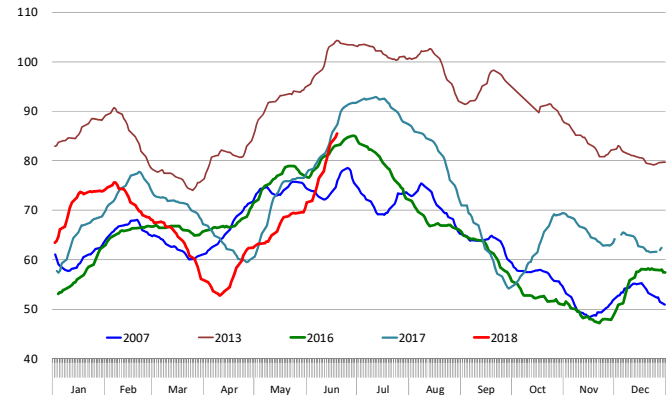


Errata: When you make a mistake you need to own up to it. We pulled together the wrong data and screwed up the calculation of feeder cattle imports in yesterday's report. **A correction is very much warranted.** Feeder cattle imports from Mexico in the four weeks ending May 26 were 30,143 head, some 22,476 head or three times as much as during the same period a year ago. Feeder cattle imports in the first two weeks of June remain as much as 175% above year ago levels. Feeder cattle imports from Mexico were also higher. In the four weeks ending May 26 feeder imports from Mexico were a total of 98,523 head, 9.4% higher than a year ago. So far in June feeder imports from Mexico are up 4.6% from a year ago. We apologize for the error and confusion this has caused.

Hog futures have declined sharply in the last two trading sessions and they are down again this morning as we write this report. The decline has come even as the cash hog index continues to push higher. July futures closed yesterday at around \$80/cwt even as the cash hog index is currently approaching \$86/cwt. The positive basis is a little unusual at this time of year although not unprecedented. Last year the one day cash hog index on June 22 was around \$90.5/cwt even as the July contract on that day was trading at \$86. Last year futures traded somewhat soft through the end of the month but then the contract expired at \$92.4. There are a number of factors that have made for some nervous trading in the hog complex. We can still point to some positive factors. Hog carcass weights continue to decline and the weight of producer owned barrows and gilts is about the same as a year ago. Pork belly prices continue to push higher, as they normally do during this time of year and the pork cutout last night closed at \$84.88/cwt, \$3.2/cwt (+4.4%) higher than the previous week. Hog supplies seasonally decline during this time of year and the slow rate of gain for hogs will tend to limit the supply of pork coming to market. Retailers are likely working on filling up the meat case for July 4th needs, with ribs and hot dogs a regular staple. The price of pork trimmings, which languished for much of the spring, has finally started to push higher and it is now around \$85 cents per pound compared to the mid 60s back in May. Higher trim values are important as they tend to improve the grinding value for hams and shoulders. Low pork prices in May and early June likely will mean robust pork features post July 4th. **And yet futures traders remain nervous.** Higher tariffs on US pork going to China have caused shipments there to go to zero. China may not be as important as Mexico for US pork, but it's still a significant buyer. In the four weeks ending June 15 last year China purchased an average of 2100 MT of pork per week. This year it has averaged 75 MT and for the last reported week shipments there were zero. Exports to Mexico have been quite robust so far. Despite a 10% tariff on US pork that went into effect in June, exports to the Mexican market were still up about 16%. However, net sales have tumbled in the last few weeks and this likely means a notable slowdown in shipments in July and August. Net pork sales in the last three weeks have averaged a little under 11,000 MT compared to a weekly export pace of around 20,000 MT. We don't know for a fact but suspect export sales into Mexico have slowed down. The trade outlook remains a major concern for the market at this time and likely to weigh on futures until/unless we find some positive path forward.

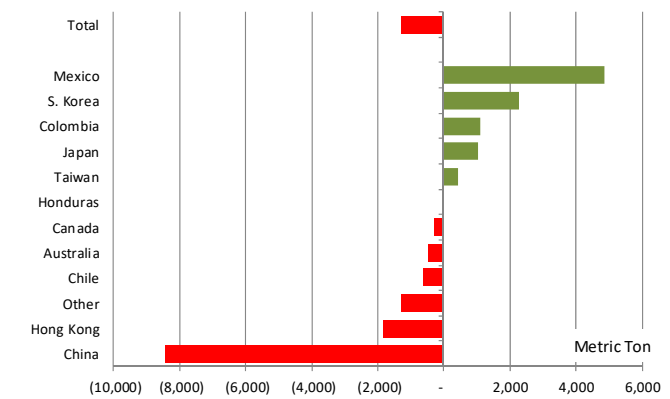
CALCULATED 1 DAY CASH HOG INDEX

Based on Daily USDA MPR Data. Wt. Avg. Price of Negotiated Cash Hog Price and Swine or Pork Market Formula (SPMF). See LM_HG201



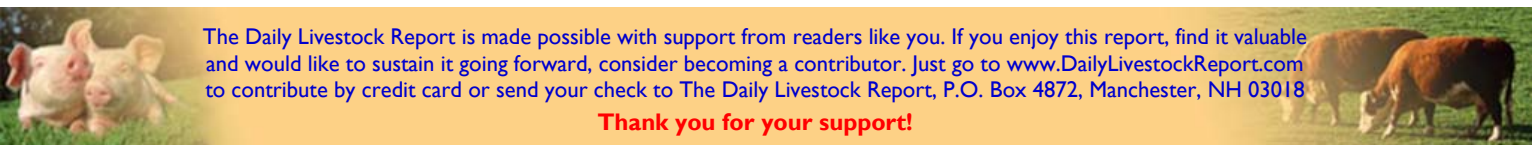
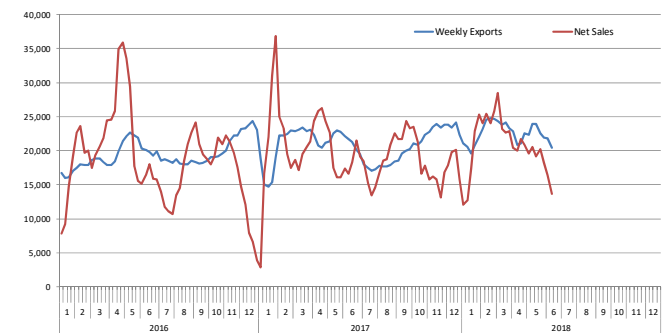
Change in Weekly Pork Exports. 4-wk Total through June 14

Based on USDA Weekly Export of Pork Muscle Cuts. Source: USDA-FAS



PORK NET SALES V. PORK EXPORTS. 4-WEEK MOVING AVERAGE

Weekly Data. Source: USDA



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