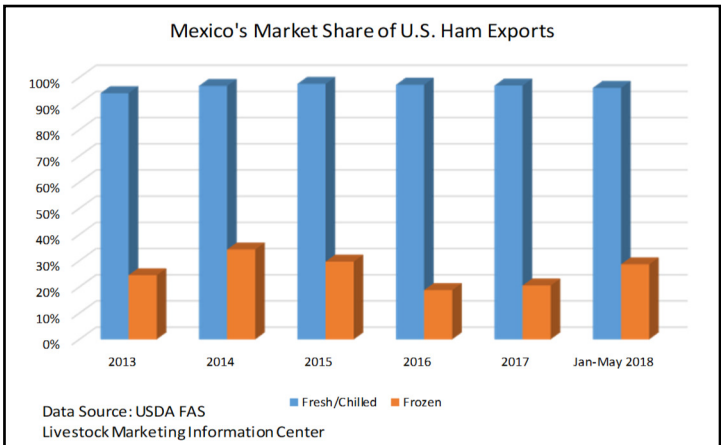


Pork cutout value continued to deteriorate this week. Primal composite values (FOB Plant-Negotiated Sales) have all been beaten down this week. Friday marked the official start of the new tariff level on pork to Mexico which played a roll in the slide. Wednesday afternoon primal values indicated high losses in picnics and hams since Friday. Bellies are the only composite showing gains since July 6th and are up \$4.89 per cwt, while ribs were virtually unchanged.

The year of the ham. In a simplistic view, this year, ham has been one key underlying driver to the overall hog market. In last year's market, the same could have been said for bellies. By the year-end, we may look back on 2018 as "the year of the ham." Hams are notably both the most exposed to trade disruptions with Mexico and have suffered the largest losses this week. This week alone the ham primal value has slipped \$3.91 since Friday and on July 10, the ham primal had the largest single day decline since early March losing \$4.18 from the previous day. FOB Omaha sales on hams faced an even deeper decline of \$5.86 per cwt. compared to the prior day. Wednesday concluded with another \$0.23 per cwt. drop in the ham primal on the National level, while Omaha afternoon negotiated sales saw ham primal values rebound \$2.07 from the previous day.

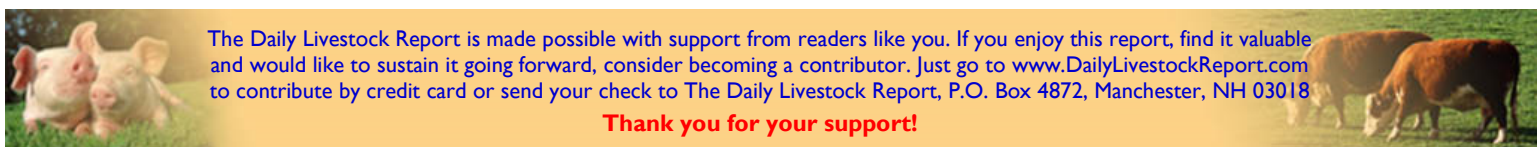
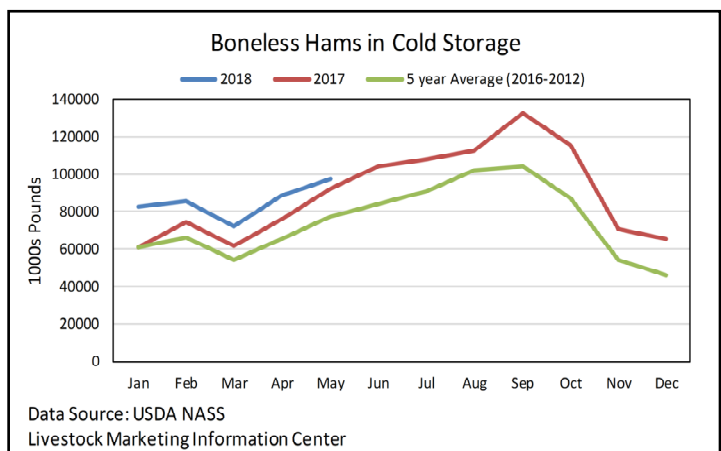
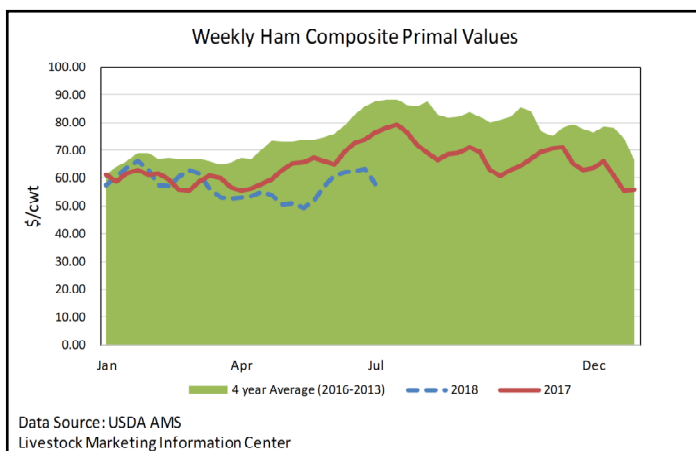
Mexico has been the destination for over 97% of the U.S. fresh/chilled hams exported in recent years. Year to date figures for 2018 show about 96% of exported hams going to Mexico through May ahead of tariff announcements. Mexico is still a large buyer of frozen U.S. hams but to a lesser extent, buying about 20% of total exports in 2016 and 2017. Higher volumes have been seen in the 2018 January through May data and were closer to 30% of total exports.

Cold storage data is lagged, but signs of trouble were starting to show earlier this year. Total ham inventory in January was 24% above



a year ago, largely related to large volumes of boneless ham products in storage. To a lesser extent, bone-in product was up 4% in January over the prior year but has since worked down inventories below year-ago levels in May. In contrast, boneless hams started the year with 35% more hams than last year and remained in double-digit surplus through the first quarter. May showed continued expanding supplies from the month earlier and reached 97 million pounds in cold storage. This is the largest May on record since USDA NASS began collecting inventories of bone in and boneless hams in 1993. Seasonally, boneless hams do typically increase from the beginning of the year, peaking in September, but this would be the second year of larger than usual frozen supplies.

Downward sloping demand curves would suggest hams values will fall precipitously until adequate volumes stabilize prices. These hams will find a home albeit the question remains at what price?



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