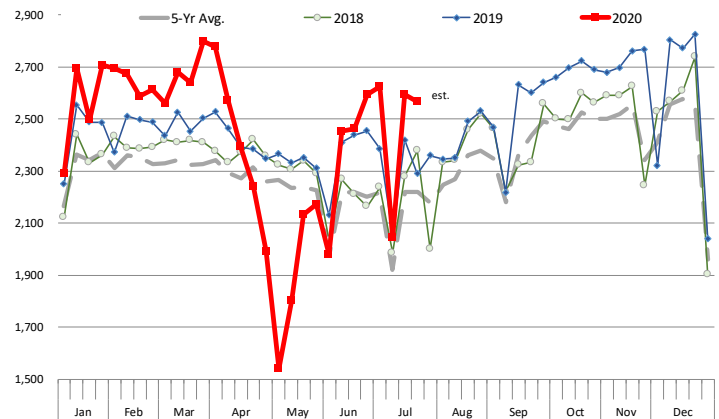


Hog slaughter last week was estimated at 2.593 million head, 7.2% higher than the previous year (please note this is the USDA revised number from yesterday's report). We think slaughter this week will be somewhere around 2.57 million head, 12% higher than the previous year. The year/year increase in slaughter is not surprising when we consider the big increase in the June 1 inventory of market hogs. Indeed, the pace of hog slaughter so far still is not enough to absorb the reported backlog of hogs. Eventually this will bring up more questions about the accuracy of the inventory survey. **Hog slaughter for the period of June 1 through July 18 (we use weekly slaughter plus our estimate above) is estimated at 17.339 million head, 885,470 head or 5.4% higher than the same period a year ago.** According to the USDA survey, the inventory of +180 pound hogs was 14.687 million head, 1.670 million or 12.8% higher than the previous year. It would appear that **slaughter in June and early July was not high enough to absorb even half of the indicated y/y increase in supply.** Does this mean that hogs remain in a slow growth/maintenance diet or that the survey overestimated the supply on the ground? Maybe a little of both. Survey said that hogs in the 120-179 category were 11.8% higher than the previous year, representing a y/y increase of 1.674 million hogs. This suggests plentiful supplies for the next couple of months and imply hog slaughter to stay at 2.6 million into the fall in order to absorb it. Consider that if weekly hog slaughter averaged 2.6 million between mid July through the end of August, that would mean an increase of 1 million head vs. the same period a year ago. The hog survey suggested that slaughter should be up about 3 million head between early June and early September but **even with 2.6 million weekly slaughter we are still on track to be up only by 1.9 million y/y.** August hog futures currently hold a significant premium to the index, something that may be challenged given the potential supply in the pipeline.

One reason for higher hog prices in August and beyond would be better demand. Exports are key and there is hope that we will continue to see strong sales to China and other markets. The key word there is hope. Data from the Mandatory Price Reporting system showed that pork export sales last week were a little over 46 million pounds, double the same week last year and the highest volume sold since mid March. Please keep in mind that this data set does not include sales to North America. It also includes sales of variety meats. We look at this report as an indication of direction in export business rather than focus on actual volumes. The report that comes out on Thursday is more comprehensive better reflects reality. Still, the latest data shows that sales of hams and bellies to export markets have increased significantly, helping underpin product values for these items. Fears that bellies could break to 70 cents and hams would go back to the 30s have not materialized, in part because exports appear to be absorbing some of the additional supplies. With that said, product availability in domestic channels remains abundant. One way to look at this is the supply of pork that is sold in the spot market. Last week USDA reported that 1,797 loads of pork cuts were traded in the spot market, 24.4% higher than last year. On the other hand, the supply of trim available in the spot market has tightened up with the number of spot trim loads traded last week about the same as last year. Trim prices have firmed up as a result, with 72CL pork last night quoted at \$81/cwt compared to \$57/cwt at the start of the month.

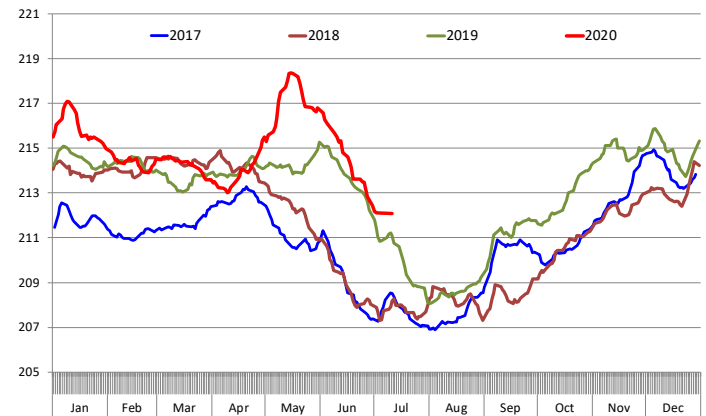
WEEKLY HOG SLAUGHTER, '000 HEAD

Source: USDA. Analysis by Steiner Consulting



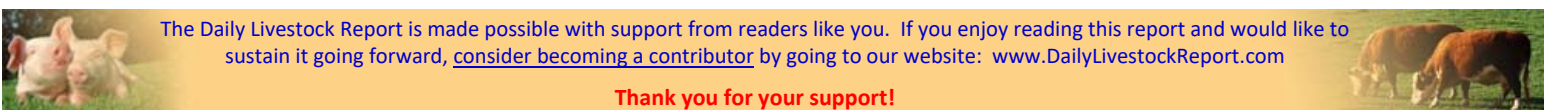
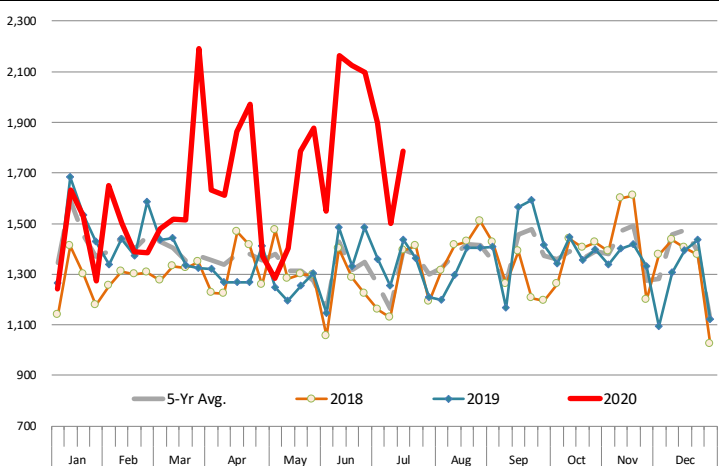
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Jul 10, 2020. Analysis by Steiner Consulting



Volume of Pork Cuts Traded in the Negotiated Market

Source: USDA/AMS Mandatory Price Reporting System



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