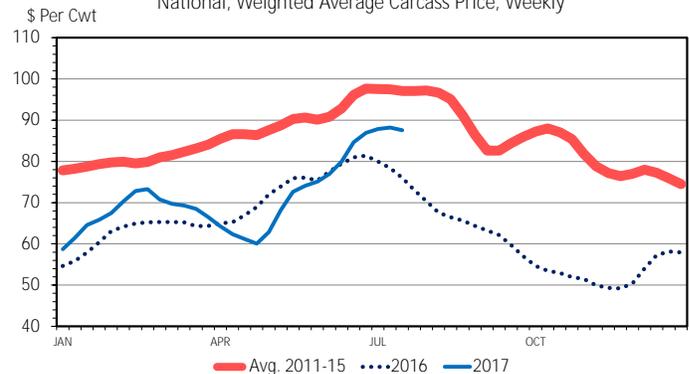


Hog prices appear to be making an annual peak at the normal time of the year. The national base slaughter hog price, on a weekly average basis, reached \$86.66 per cwt. in the second week in July in the wake of steady gains since late April. Last week, prices fell almost \$2. Futures market hog prices have anticipated the trend in cash prices as they should have, but underestimated the strength in cash market values that has persisted since mid June. Hog prices in the futures market for August delivery reached their highs a week earlier than the cash market, at \$83.71.

Cash hog prices have been at a premium to the August hog futures contract since the second week in June. This year the cash hog premium to the August futures for the week ending June 16 was \$1.52. The average cash hog basis to the August futures for that week, since 2010, was a \$1.61 discount, instead of a premium, but the basis has spanned a wide range. In 2014, the discount was \$-10.39 (down from \$-16.97 the prior week) and in 2012 the cash-to-August basis was \$8.17. Over the course of the following five weeks in 2012, the cash-to-August hog basis averaged \$0.87. This year, during the same five weeks of June and July, the cash-to-August basis averaged \$4.11, by far the biggest average positive basis of any year since 2010. Such has been the lack of confidence, or abundance of risk aversion, limiting the futures market from paralleling the exuberance in the cash hog market.

The precedent of cash market premiums to the futures is most

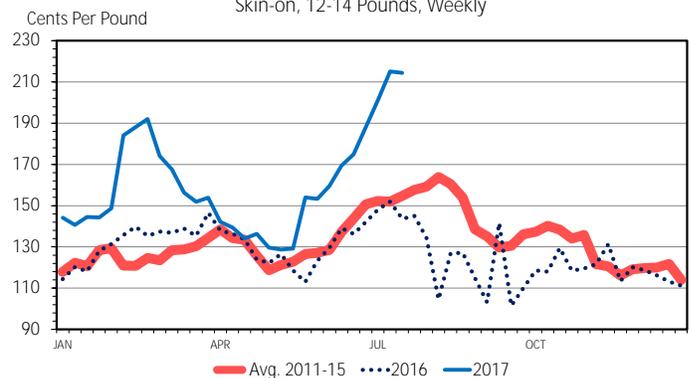
**BASE SLAUGHTER HOG PRICES**  
National, Weighted Average Carcass Price, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

H-P-23  
07/21/17

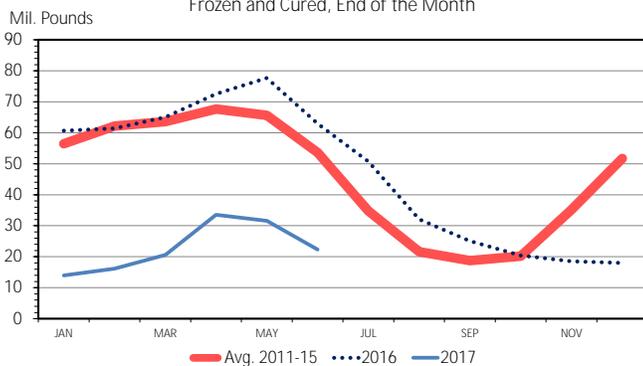
**WHOLESALE PORK BELLY PRICES**  
Skin-on, 12-14 Pounds, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

M-P-29  
07/24/17

**PORK BELLIES IN COLD STORAGE**  
Frozen and Cured, End of the Month



Data Source: USDA-NASS  
Livestock Marketing Information Center

M-S-10  
07/24/17

likely a consequence of the pork belly component of the hog carcass and the lack of belly product in cold storage. The lowest that pork bellies inventories have been in modern times was in September 2010, at 4.8 million pounds. In that year, both cash and futures prices rebounded in the last week of July and on into August, with cash moving up \$5 from the third week in July, while the August futures were up \$4 and October futures increased \$3.



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