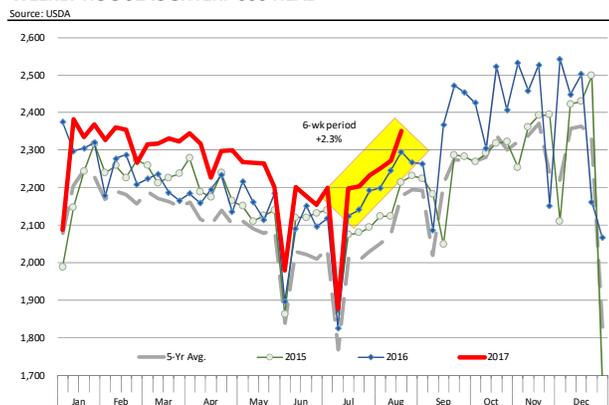


Yesterday we focused on implied profitability at various points along the hog/pork supply chain and decided to stay on the topic today as well. There is no arguing that hog producers and pork packer profits have been much higher than expected so far this summer. Going into the fall, however, there **are both positives and negatives for the hog market.**

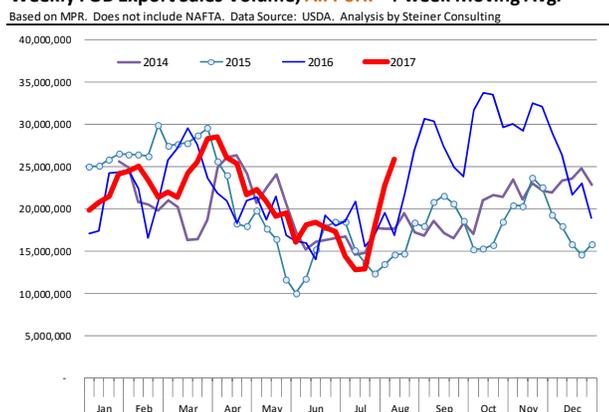
**Bullish:** Hog slaughter is higher than a year ago but still under the levels indicated by the June 'Hogs and Pigs' Report. We estimate hog slaughter for this week will be around 2.35 million head, which is the highest slaughter levels since early April. And yet, even if we are correct, this slaughter level would be 2.4% higher than last year. For the six weeks ending August 19, we estimate **hog slaughter up 2.3% compared to last year.** Contrast this with the June 1 inventory of 120-180 pound hogs estimated to be 4.3% above last year's levels. Should market participants start to adjust expectations for fall hog slaughter based on recent data? Or is this just a temporary shift in supply flows, with more hogs back loaded in the marketing window to coincide with the opening of new processing plants? Pork demand, especially export demand, has been excellent for much of this year and producers will need to see that demand sustained into the fall as supplies start to pick up. It appears that packers have already started to market pork more aggressively into export channels. The latest data from Mandatory Price Reporting system shows a notable increase in export sales to overseas markets. Unfortunately the system does not tell us about sales to NAFTA countries. In the last four reported weeks, export sales to overseas markets are up some 50% compared to the same period a year ago. Exports of hams in the last two weeks alone have averaged 5.6 million pounds a week, 180% higher than last year. The robust pace of pork export sales should be encouraging for the market later in the fall when weekly slaughter is expected to hit all time new record levels.

**Bearish:** Futures currently present a fairly benign pricing scenario for hogs this fall, in part due to still very strong spot markets. October hogs are now above \$70/cwt and December hogs are approaching \$65/cwt. Will pork cutout support such lofty price expectations? Belly prices will be key considering the record levels achieved this summer. Current belly prices are hovering around \$197 and we think current October hog futures are pricing a belly market in the \$150-\$160. In past years we have seen significant price erosion in the belly market after the end of August as retailers reset their feature prices, limiting volume sales. **In its latest retail report USDA noted a sharp jump in the retail bacon feature price. The 10% increase from the previous week was the largest such jump since early 2013.** Because of the price transmission lags, we would expect retail bacon prices to continue to advance higher in the next few weeks. Other pork products also have declined sharply in recent days as processing plants ramp up slaughter. The value of the ham primal last night was \$65.98/cwt, down 12% from two weeks ago. The price of 72CL trim normally declines in August but prices are down 22% in a matter of days. Lower hog weights in the spring and summer helped offset some of the increase in slaughter. That may also be changing. While overall hog weights are still slightly under last year, for the first time since late April the weight of producer owned barrows and gilts is now above year ago levels. Two new processing plants are expected to start operations this fall but the timing and throughput of these two plants will be critical for the fall market.

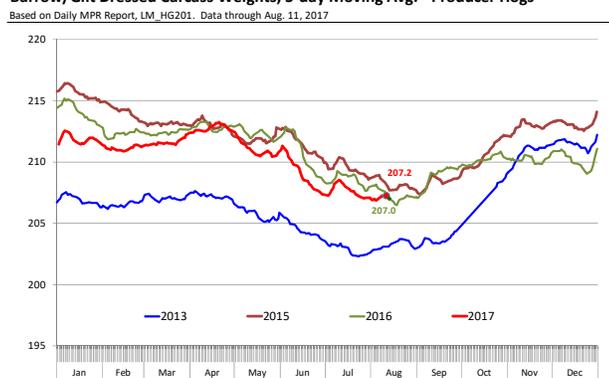
## WEEKLY HOG SLAUGHTER, '000 HEAD



## Weekly FOB Export Sales Volume, All Pork - 4-week Moving Avg.



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



The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to [www.DailyLivestockReport.com](http://www.DailyLivestockReport.com) to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

**Thank you for your support!**

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc. To subscribe, support or unsubscribe please visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com).

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group, CME and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.