

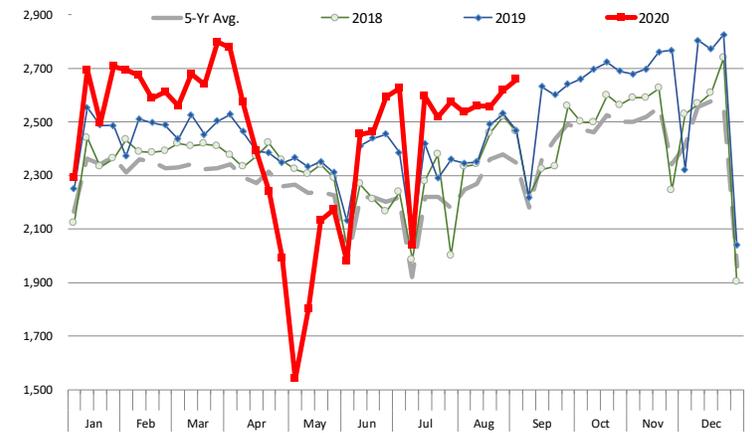
Hog slaughter last week was estimated at 2.618 million head, 3.4% higher than a year ago. In the last four weeks, hog slaughter has been a total of 10.271 million head, 552k head or 5.7% higher than a year ago. Hog slaughter in the first three days of this week was estimated at 1.435 million head and **for the week we think slaughter could be as high as 2.654 million head, 7.5% higher than last year.** The reason for the expected higher slaughter this week is the number of hogs that have already been scheduled for delivery to packers. Our estimate is for a 250k to 260k Saturday slaughter although that number is always a bit uncertain. The increase in slaughter has helped producers keep the flow of hogs moving and combined with maintenance diets, it has helped firm up cash prices in the spot market. The average weight of producer owned barrows and gilts in the last five marketing days has averaged under 208 pounds per carcass. This is 0.6% lower than the same period a year ago and also lower than in 2018. One can argue that with a number of hogs still backed up and supplies expected to seasonally increase in the fall, hog weights may not be the best indicator of currentness. Rather, available shackle space is the key factor to watch. While true overall, we still think that **the lower weights show producer strategies to slow down hogs are working and this is generally positive for prices.** We do not think it is a coincidence that cash hog values have been trending higher in the last couple of weeks just as weights have continued to drift lower and they are now near the lowest point of the last few years. Labor day usually tends to disrupt the flow of hogs to packers.

The number of hogs scheduled for delivery to packers next Saturday is significantly lower than what we have seen recently. At the current pace, it appears that hog slaughter next week could be under 2.5 million head. The week after that, slaughter will be even lighter because plants will not run on Monday, September 7. **Back to back weeks of light slaughter should help packers get caught up with their sales after the normal Labor Day slowdown in demand.** However, the slowdown is usually negative for hog prices. That's in a normal year and this year is anything but. Still, the light slaughter for the next two weeks makes it especially imperative that packers are able to pick up whether they will leave off this week. Could slaughter get close to 2.7 million per week? Can packers maintain that pace given new rules and procedures following COVID outbreaks last spring? A recent outbreak at a Maple Leaf plant in Canada was a reminder that this remains a significant risk for slaughter plants. While they can implement procedures to control for the disease within the plant's walls, they have little control if there is community transmission. For now, this remains an ongoing risk for the US hog market as well as for US livestock and poultry producers in general.

The upside risk for hogs lies squarely with export demand. Domestic retail demand remains quite good but with more pork in the pipeline, the pork complex needs the extra export business to keep the pipeline clean. Export sales last week were encouraging but they also follow three weeks of very weak sales so more is needed before we can start talking about a trend shift. Net sales to China last week were 11,216 MT, a somewhat encouraging number compared to the previous three weeks when sales were a total of 3,335 MT. **Plenty of rumors continue to float around that China will be a big buyer in the US in the fall but so far there is no concrete indication of that actually happening.** For now participants are likely following the continued China buying of soybeans as well as recent statements from the US trade representative noting that "the parties discussed significant increases in US products by China."

WEEKLY HOG SLAUGHTER, '000 HEAD

Source: USDA. Analysis by Steiner Consulting



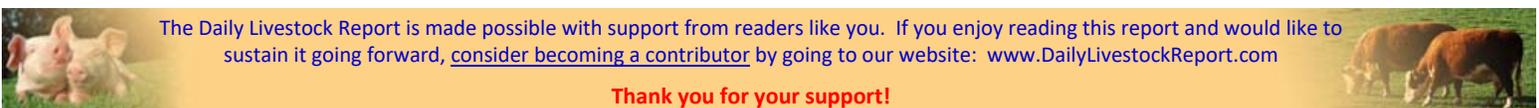
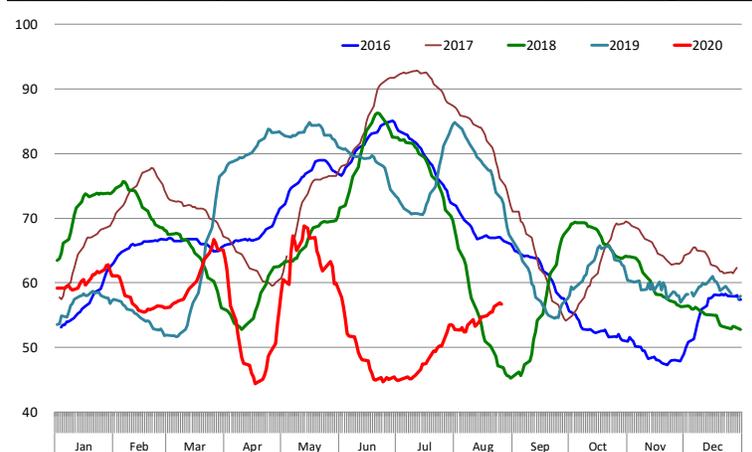
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Aug 25, 2020. Analysis by Steiner Consulting



CALCULATED 1 DAY CME 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



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