

Hog producers continue to work through post-pandemic events primarily the backlog of hogs in the supply chain resulting from plant closures in late April and early May. Following the second quarter interruptions, hog slaughter has been tracking above the prior year's levels for most weeks averaging almost 6% higher over the last three months. An indication that the industry is working through the backlog of hogs. The number of hogs still backed up in the supply chain is debatable, but the September 1 Hogs & Pigs report, which will be released later this month, will give more insights on the supply situation. Peak slaughter typically occurs during the fourth quarter and this year is shaping up to have a familiar pattern.

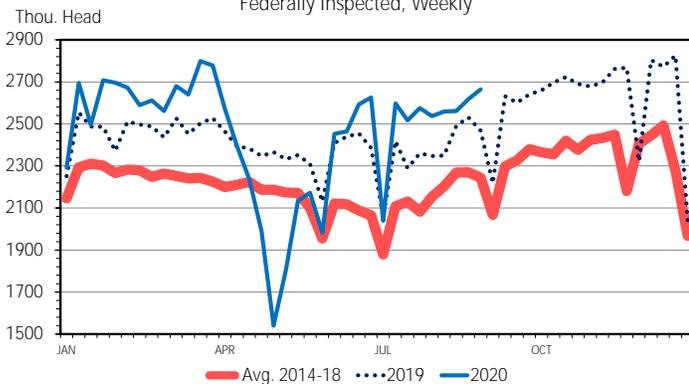
The December hog futures contract is worth looking at as it will have implications as the fourth quarter approaches. In early April, the contract bottomed at \$48.75 per cwt. then about a month later rallied to \$58.80 per cwt. in the wake of the pandemic. Since then the contract retreated trading in the low \$50 per cwt range but has seen improvement since the start of August. The contract started August at \$50.08 per cwt. and as of this writing the most recent closing price was \$56.07 per cwt. on September 2, a nearly \$6 per cwt. (12%) increase in just over a month. The gain is notable given the backlog of hogs and potential number of hogs to be slaughtered in the fourth quarter.

The pork cutout value has followed a similar pattern as the December contract with a drop in early April then spiking as plant disruptions occurred. The cutout value quickly dropped below prior-year levels, a trend that has continued since early June potentially



giving pork a competitive edge on price in the meat case. The lower pork cutout value is due to both belly and ham primal composite values only reaching prior-year levels in recent weeks. The loin, butt, and picnic are struggling to find traction and reach year ago levels. Surprisingly, ribs have been above last year's price every week except five which were during the pandemic.

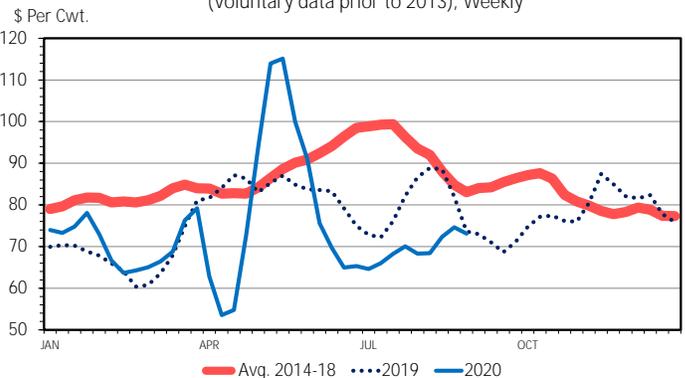
HOG SLAUGHTER
Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

H-S-05
09/29/20

PORK CUTOUT VALUE
(Voluntary data prior to 2013), Weekly



Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

H-P-10
09/31/20

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