

Our Quarterly Subscription Reminder

Daily Livestock Subscriber,

Last quarter we introduced an **annual invoicing system** with the goal of making the contribution process for our readers **easier and more transparent**. We received a solid response from our readers and thank each and every one of them. Without their help, this effort would not be possible.

However **many have yet to respond**.

Moving forward, we will be reaching out to our readers by email on a quarterly basis to support the newsletter. We will also include a reminder for the next few days. If you read the DLR from the website and would like to contribute, please follow this [link](#) to donate directly or send me an email to request an invoice. We will only be contacting you by email if you have not contributed before, or have not contributed for at least a year.

If you and/or your company have already contributed this year, then there is nothing else to do, please accept our thanks for your support. And if you receive an email from us but you have already contributed, then our records may have gotten mixed up and would appreciate if you could let us know.

Asking for contributions is a time consuming process. Yet, it is one that has become essential for us to continue publishing the DLR. **A sliver of your time and money each year will ensure that the DLR can keep writing and informing the livestock industry for years to come.**

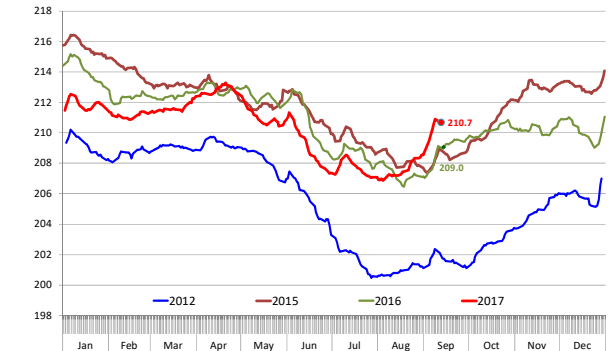
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Hog futures have sold off quite aggressively in the last few days as market participants respond to the dramatic decline in cash hog prices. But why the sudden turnaround, after all wasn't excellent pork demand and new processing plants supposed to change the trajectory of hog prices this fall? We don't think demand has changed materially although one needs to consider the impact of sharply lower fed cattle prices going into the fall. Rather, the shift in hog supply availability, evident to anyone that has looked at a hog slaughter chart, appears to be the primary culprit. It also does not help that too often we think that just because we cut the ribbon on a new processing plant it will increase daily processing capacity by 20,000 head a day overnight. It will likely take months before we get those plants running as they are supposed to and, in the short term, there is a few million extra hogs that will need to get processed.

The top chart to the right shows the average weight of barrows and gilts for producer sold hogs. This number is reported by USDA each day as part of the mandatory price reporting system. It is a somewhat different number than the one reported by USDA in its weekly pork/hog production summary (SJ_LS712). The reason for the difference is due to the way USDA calculates its weekly number, which is basically a moving average of the previous weeks. The USDA number also looks at all hogs, including sows. As we have stated many times before, in our view the trend in MPR barrow/gilt weights is a much more timely indicator of the weight trends than the weekly USDA report. The data also allows one to look at the weight of producer sold hogs only, probably a more relevant indicator for those looking to understand the supply flow from farm to packing floor. The chart to the right reflects the weight of producer sold barrows and gilts and it represents a five day moving average. This allows us to smooth out the day to day variation. If producers fall behind in their marketings, and they only need to do so for just a few short days, it will eventually show up in the weight data. **Note the sharp increase in hog weights since mid August.** On August 15, the 5-day average weight of producer sold barrows and gilts (all purchase types) was 207.2 pounds per dressed carcass. On September 12, the latest data point, that same 5-day average was 210.7 pounds. This may not seem like a significant increase but 3 additional pounds of pork on 2.3 million hogs slaughtered in a week represents an additional 8 million pounds just on the weight gain alone. More importantly, the pace of carcass weight gains has been faster than we have seen in recent years. **Since 2008, the average increase in the weight of barrows and gilts during this four week period declined by an average of 1.4%.** And that includes 2014, a year during which the shortage of available hogs caused producers to make up the PEDv shortfall by adding more weight on available hogs. Anyone involved in the pork business knows that hog weights move up in the fall. Cooler weather combined with fresh corn helps bolster feed conversion in most farms. **The issue right now is that hog weights are increasing a lot faster, and a lot earlier, than they normally do.** And once you set a hog weight base at such high levels in early September, where will weights end up by early December? We think part of the reason for the sharp erosion in cash hog prices has to do with producer efforts to try and get more current. What is a big unknown, and one that participants are pondering on a daily basis, is the actual number of hogs on the ground. Is the increase in weights a short term issue that can be rectified by accelerating marketings for a few weeks, and accepting lower prices during this time? Or is this the first indicator of larger than expected hog supplies?

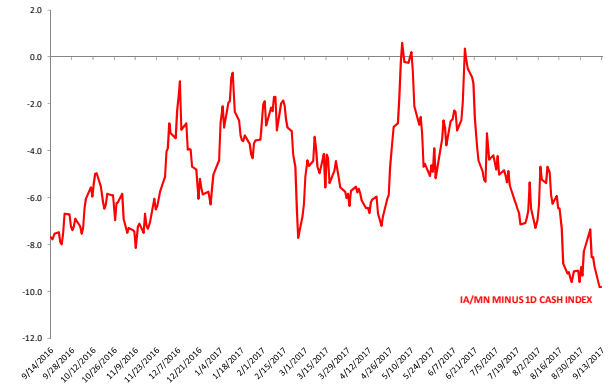
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Sep. 12, 2017



SPREAD BETWEEN IA/MN BASE PRICE VS. 1 DAY CASH HOG INDEX, \$/cwt

Data Source: USDA Mandatory Price Reporting



SPREAD BETWEEN PORK CUTOUT AND CASH HOG INDEX, \$/cwt

Data Source: USDA Mandatory Price Reporting



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