

Cash hog prices made another big jump last week, reflecting both the tight supply situation on the ground and the reality of better demand in domestic and export channels. Negotiated cash hog prices have been leading all other pricing methods, which is a reverse mirror image of what we saw last summer and fall. The weighted average negotiated price for the week ending April 2 was \$95.68/cwt, 7% higher than the previous week. Prices for hogs that are sold using various pricing arrangements were up as well but the gain in negotiated cash led the pack. As a side note, the calculations in the attached table are done using daily prices and head sold and reported as a weighted average rather than a straight average. We use the USDA LM_HG201 report for both the price and volume data. COVID disruptions make comparisons to last year a bit iffy but even compared to 2019 negotiated prices are up 27%. Market participants continue to note that cash hog supply is tight but we continue to think that this remains a demand led market. Evidence of that is that hog slaughter is similar to slightly ahead of 2019 levels and yet cash prices are up well in the double digits. One interesting takeaway from the attached price table is that the largest share of hogs is currently priced using the best pricing method at this time: swine or pork market formula. That's because this marketing arrangement includes hogs that are priced off the negotiated market, which is currently performing very well as well as hogs that are priced off the cutout, which is also performing very well. More than half of hogs sold last week were priced at \$98/cwt.

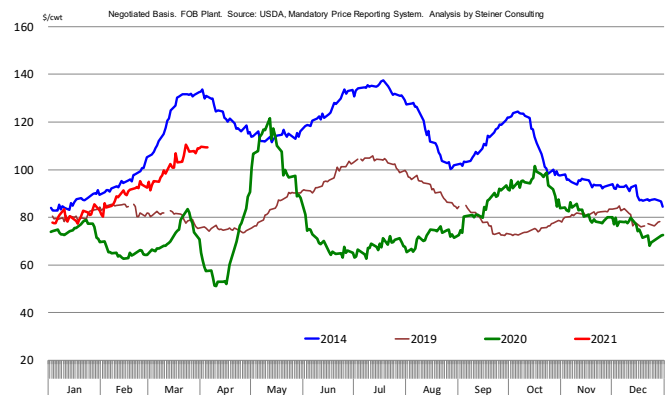
Higher prices for processing items have bolstered the value of the pork cutout, which last night closed at \$109.4/cwt, \$29/cwt or 36% higher than where prices were in early February (see chart). Of that \$29 increase in the cutout, \$11 came from higher belly prices alone. The belly primal value last night was \$196.1/cwt, 59% higher than two months ago. It is not unusual for processing items to carry the cutout in the first three months of the year. Fresh pork demand is ho-hum during this period but processing items tend to benefit from holiday demand (Easter hams) and processors building inventories for the summer. With spring weather around the corner (actually already there in many places) fresh pork demand should continue to improve as well. Loin, butt and picnic prices have also gained as well. The value of the loin primal last night was \$94.3/cwt, 20% higher than what it was in early February while the value of the butt primal was \$106.7/cwt, 50.1% higher than two months ago. **While packers have paid up consistently in the cash market in recent weeks, higher wholesale pork prices and higher by-product value has helped them keep margins in line.** We calculate the gross packer margin for last week at around \$50/head. The chart to the right shows the two key drivers of that calculation. We use the LMIC pork by-product calculation, which is higher than USDA. According to them, the by-product value last week was \$23.3/head, \$1.6/head higher than in early February and \$6/head higher than last year. The meat margin last week (cutout minus hog price) was \$26.7/head, about \$1.3/head higher than in early February.

Weekly Average Prices by Pricing Arrangement and Weighted Average for the Week

Data source: USDA Daily LM_HG201 report. Analysis by Steiner Consulting

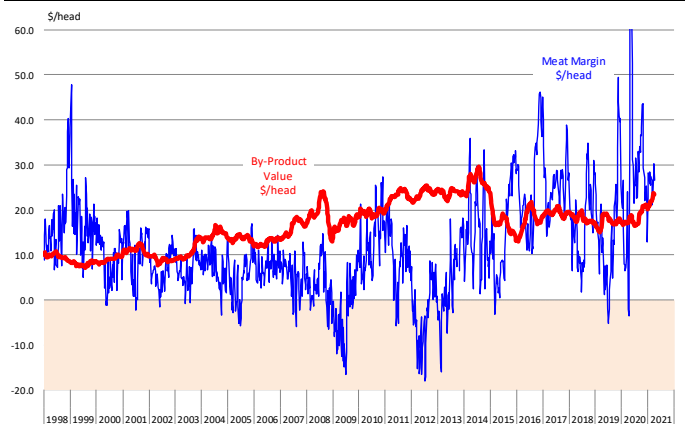
		4/3/2020	3/26/2021	4/2/2021	% last wk	% last year
Negotiated	Head	52,010	34,105	34,369		
	Net Price	\$ 58.70	\$ 89.80	\$ 95.68	7%	63%
Other Market Formula	Head	225,463	177,322	177,194		
	Net Price	\$ 66.66	\$ 83.33	\$ 87.73	5%	32%
Swine or Pork Market Formula	Head	665,984	676,279	696,988		
	Net Price	\$ 61.57	\$ 93.83	\$ 98.27	5%	60%
Other Purchase Agreement	Head	462,795	382,997	406,349		
	Net Price	\$ 66.37	\$ 90.76	\$ 94.26	4%	42%
Total	Head	1,406,252	1,270,703	1,314,900		
	Wt. Avg. Net Price	\$ 63.86	\$ 91.33	\$ 95.54	5%	50%

DAILY OVERALL CUTOOUT PORK PRIMAL VALUE



PORK PACKER MARGIN COMPONENTS. \$ PER HEAD.

Calculated Using USDA Price Data for Cutout & Hogs. LMIC Data Used for By-Product Value



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