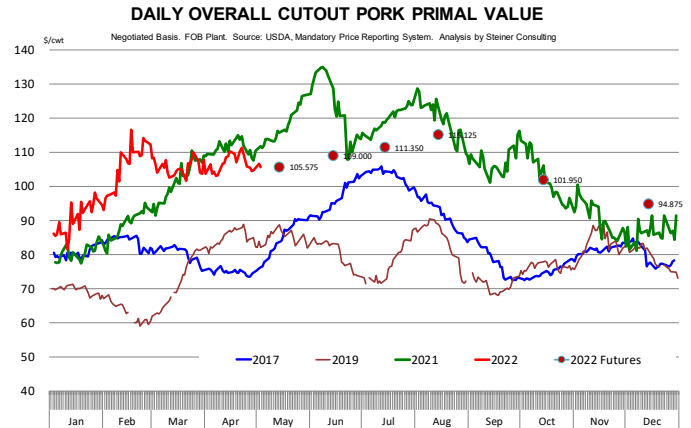
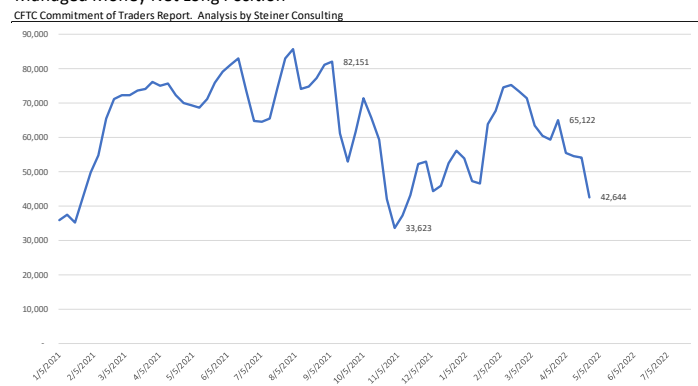


Judging from the way hog and pork futures have been trading the last couple of weeks one could conclude that Memorial Day and 4th of July BBQs have been cancelled and it will be cold and miserable for the rest of spring and summer. As recently as April 19 June pork cutout futures were trading at \$127/cwt, not far from the highs registered for the same time last year. Since then June **pork cutout futures have lost 14% of their value**. Hog futures have been hit even harder, probably because there is more volume and thus more longs looking to get out. On April 18, June **hog futures** were priced at \$122.4/cwt but last night prices closed **17% lower**. Our general stance in this report is not to make an argument for either side of the market. Rather the goal is to lay out what the fundamentals are doing and also point to any data that may explain what is taking place. For instance, it is not a secret that the big rally in the pork market earlier this year caused speculative funds to jump with both feet looking for a payout. Whether it was opinions about inflation, opinions about the grain market, ideas about meat demand, or simple day to day speculation, there was a significant increase in the net long position of managed money funds in the market. According to CFTC data, the net long position peaked at 75,198 contracts in mid February, which coincides with the high in the cutout in the attached chart. Even at the end of March, following the release of the ‘Hogs and Pigs’ report, the net long position of managed money funds was 65,122 contracts. But since the, especially in the second half of April, funds have been looking to get out and we suspect there was more long liquidation in the last few days (last data point in the chart is for wk ending 4/26). We have now gone from a situation where the premium of June hogs to the cash index was \$27/cwt to \$3/cwt.

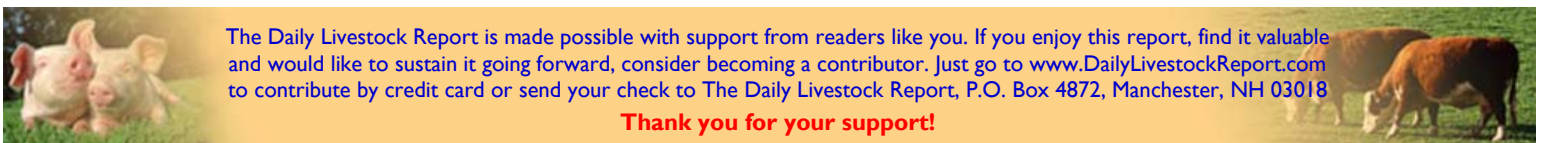
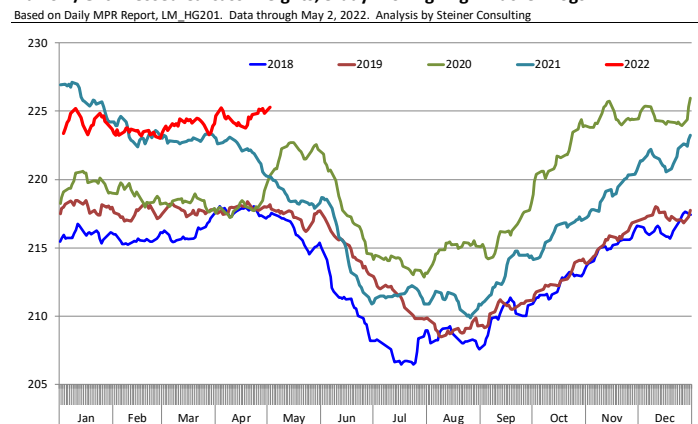
Coming into the spring market participants were looking for a similar rally in pork prices as we had last year, hence June hogs at \$127/cwt. The big June premiums to spot may have caused some to delay marketings. After all, if you have space in the barns (of a smaller pig crop), and the market is paying you to hold on to your hogs, why not do that. **Weights on producer owned hogs are currently running 1.3% above year ago levels**, although a bit lower than a couple of weeks ago. Weights on **packer owned hogs** have gained even more. They are currently running **2.3% higher than last year** and near all time highs, including that COVID related backup in 2020. Hog slaughter this week could be 2.38 million head, maybe a bit higher, possibly a sign that marketings may be accelerating. This has added a bit more supply to the market than earlier thought. It also has not helped that beef prices, which skyrocketed last Memorial Day, have not kept pace. The choice beef cutout last night was at the lowest point since mid March. With all this said, it helps to keep a few things in perspective. First, hog slaughter by mid June should be (based on USDA inventory) about 100k head smaller than currently. Second, weights will start to trend lower, as they do each year. Finally, pork continues to hold a competitive edge to other proteins. **Boneless chicken breast prices are now more than double boneless pork loin prices**. While Memorial Day features may have already been set, pork is offering good opportunities for retail in June and July.



Managed Money Net Long Position



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



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