1. **Hog futures limit down on Friday even as China pork prices spike.**

The pork cutout had been trending higher in the first two weeks of August but posted a sharp decline on Friday. October futures were down the daily permissible limit on expectations that, in the short term, record pork supplies will drive the cutout even lower in the fall and negatively impact the cash hog index. In recent months we have noted a much more volatile spread between the value of the cash hog index and negotiated base prices, which in the past were seen as a benchmark for cash hog values. We think the cash hog index today is much more impacted by the value of the cutout since a certain number of hogs that are counted in the index, we don’t know the exact number as it is not reported, are priced off the cutout. Therefore, we now see a situation where the cutout is moving higher, and thus the value of some hogs is higher even as cash hog base prices are going in the other direction. Prospects of a lower cutout value likely played on the expectation that October hog futures will negatively be impacted even as base cash hog prices were higher on Friday.

### Contribution to the Y/Y Change in the Value of the Pork Cutout

Based on USDA MPR data for 8/16/2019 vs. same week a year ago.

![Graph showing contribution to Y/Y change in the value of the pork cutout](chart.png)
The chart on page 1 illustrates the main reason why the current cutout value at $86.26/cwt is $19.5 or 29% higher than a year ago - namely it is almost all due to higher belly and, to a lesser extent, ham values. The value of the belly primal on Friday was pegged at $169.81/cwt, $91/cwt or 115% higher than a year ago. The increase in the value of the belly primal has contributed almost $14.4/cwt to the overall cutout (about 74% of the overall cutout increase in value is due to bellies). Belly prices remain extremely volatile. It is not that unusual to see these kind of prices during August, when retail features and steady foodservice demand tend to shorten up supply in the spot market. Pork belly prices were counter seasonally weaker in June and July (see chart to the right), providing an opportunity for processors to offer attractive prices to retailers for end of summer promotions. It also appears that end users were intent on drawing down some of the inventories they built in the spring. This was negative for belly prices in June but has set the stage for better prices at this time. The question for market participants is whether this kind of pricing is sustainable as we go into the fall. Seasonally belly prices tend to decline in late September and October as supplies increase and retail features dry up. The second chart to the right shows the relationship of pork belly prices at wholesale vs. the retail feature price with a six week lag (i.e. current feature price vs. wholesale price six weeks prior). As wholesale prices are moving up, we would expect retail prices to also start pushing up, more likely in early September. Higher retail prices and the increase in pork supplies should pressure belly values lower.

The second driver for the cutout is the value of hams. Ham primal value on Friday was estimated at $69.3/cwt, up $12/cwt or 21% from
A year ago. Ham prices were as high as $90/cwt the previous week but then sharply last week, in part we think due to a decline in new orders to Mexico. Higher ham prices added almost $3/cwt to the overall cutout gain on Friday. Gains to the cutout due to higher ham prices were even higher in the first two weeks of August. Counter seasonally low ham prices in June (see chart on 2) offered an opportunity for Mexican and US domestic buyers to jump in. The latest export data showed a notable slowdown in sales to Mexico. How much ham values retract from here is going to be key for the pork cutout this fall. Clearly the drop of about $17 for the 23-27# hams last week was seen as particularly negative. Going forward, we also think

the situation in China remains a key concern even though futures participants may be suffering from China ASF fatigue at this point. Twice in the last six months the market has built premiums on expectations of higher exports to China only to have to take those premiums off. But as the chart below shows, China hog prices have escalated recently and we think see this as a long term driver of higher global prices.

DAILY CHINA HOG PRICES BY REGION
Regional Prices Have Been Calculated Using A Weighted Average for All the Provinces. Weights Based on Number of Hogs in a Province
**Upcoming holidays:**

2019 Labor Day [US and Canada] (Monday September 2); Rosh Hashanah (Sunday September 29, at sundown); Yom Kippur (Tuesday October 8, at sundown); Columbus Day (Monday October 14); Canadian Thanksgiving Day (Monday October 14); Daylight Savings Time Ends [US and Canada] (Sunday October 27); Veterans Day (Monday November 11); Remembrance Day [Canada] (Monday November 11); Thanksgiving (Thursday November 28); Hanukkah (Sunday December 22, starts at sundown); Christmas Day (Wednesday December 25); Boxing Day [Canada] (Thursday December 26).

**PORK**

Hog Market. For the week ending August 3 slaughter was 2,356 million head, up 0.9% from a year ago. In the last two weeks hog slaughter is up 8.9% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 84.11 /cwt. on Friday were up $6.00/cwt since Wed. July 24. Prices are up 15.9 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.9548, down about 4.4 cents since the Wed. July 24 quote but up about one cent from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.1151 for the strap on loins, up 3.4 cent since Wed. July 24 and up about 3 cent from the year ago levels. Strap off loins at $1.2745 are down about 1.9 cent since Wed. July 24 and down about 3 cent compared to the year ago quote.

Boneless sirloins at $1.0749 are up 2 cents from the Wed. July 24 quote and up about 5.9 cents from the year ago price.

**Pork tenderloin** finished last week at $1.8430, down 9 cent from the Wed. July 24 quote and down about 31.9 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.0613, up 5.4 cent since Wed. July 24. Prices are up 12 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.1864, up about 8 cent since Wed. July 24 but down about 14 cents from year ago levels.

Rib inventories on June 30 were 101.7 million pounds, up 14.4% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.8829/lb., up 17 cents since Wed. July 24 and up about 25 cent from a year ago.

20/23 hams finished the week at 87.73 cents, up about 3 cents since Wed. July 24 and up about 25 cent from the year ago level.

23/27 hams finished the week at 89.93 , up about 5 cents from the Wed. July 24 quote and up about 27 cents from the year ago level.

Total ham cold storage stocks on June 30 at 170.6 million pounds were up 14.8% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 77.92 cent, up about 8.2 cent since Wed. July 24 and up about 38 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 82.58 cents, down about 7.9 cents since the Wed. July 24 quote but up about 22 cents from the year ago level.

Freezer stocks of all trimmings on June 30 were 48.0 million pounds, up 6.3% percent from the year ago levels.

72 CL Picnic Meat “FOB Basis”. The premium of picnic meat to 72CL trim is currently at 27 cents compared to 26 cent average in the previous six months.
POULTRY

Georgia Dock Broilers. The Georgia dock price no longer is being quoted.

The National Whole Bird price was quoted at 82.97 on Friday, August 3, down about 13 cents from a year ago.

Broiler slaughter for the week ending August 3 was 169.64 million head, up 2.09% from a year ago. For the last two weeks slaughter was up 2.1% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.0579, down 1 cents since Wed. July 24 and still down about 15 cents from year ago levels.

Leg Quarters. This item continues to be driven by export demand. Last week leg quarter prices were up about 2.07 cents vs. two weeks ago and at 46.28 cents per pound prices were up 13 cents from a year ago.

Wings. Prices at $1.9272 are up about 53 cents from year ago levels.

Turkeys

The prices quoted below reflect prices as quoted by USDA.

Hens finished last week at $0.9300, up since Wed. July 24 and up about 10 cent from the year ago price.

Toms finished last week at $0.9004, up since Wed. July 24 and up about 9 cent from the year ago price.

Total turkey supplies in the freezer on June 30 were down 4.1% from a year ago at 538.8 million pounds. Whole birds were down 6.6% from a year ago with an inventory of 285.9 million pounds.

Turkey slaughter was 4.3270 million head for the week ending July 27, down -3.33% from a year ago. For the last two weeks slaughter has been down 3.3%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.0800, up since Wed. July 24. Prices are up about 13 cents vs. year ago levels.

BEEF

NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.

Choice 112A Heavy Bnls. Lip On Rib Eyes at $7.6973 (weighted average quote) finished last week up about 27 cents since the Wed. July 24 quote and up about 66 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $5.3549 (weighted average quote) finished last week down about 18 cents since the Wed. July 24 quote but down about 76 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $2.3424/lb. over Select. The 2017 annual average spread (wt. average price) had the Choice at a premium to the Select by $0.1263 per pound and the previous five years (2013 thru 2017) average spread was Choice at a premium to the Select by $0.1073 per pound.

Choice regular #168 insides finished last week quoted at $2.1753 down about 2 cents since Wed. July 24 but up about 8 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.2394 up about 2 cents since Wed. July 24 and up about 18 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.0222 up about 9 cents since Wed. July 24 and up about 16 cents from the year ago levels.
Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $5.8740 (wt. avg.) up about 19 cents from the Wed. July 24 quote. Prices are up 79 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $2.9393 (wt. avg.) down about 10 cent since Wed. July 24 and down about 42 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.0757 (wt. avg.) down about 7 cents since Wed. July 24 and down about 18 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $5.9389 (wt. avg.) up about 33 cents since Wed. July 24 and up about 107 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.5680 down about 3 cents since Wed. July 24 but up about 18 cents from year ago levels.

81CL Coarse Ground product finished last week at $1.8518 up about 4 cent since Wed. July 24 and up about 18 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $2.2153 (wt. avg.) down about 0.20 cent since Wed. July 24 but up 8 cents compared to the year ago price quote.

50 CL Beef Trim prices finished last week at $0.7691, down about 4 cent since Wed. July 24 but up 4 cent compared to the year ago level.
| PORK | Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA | 0.74 0.82 0.87 1.00 1.03 | 0.97 0.97 0.96 | 0.92 0.98 1.02 0.88 0.82 | 0.81 0.92 |
| | Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA | 0.82 0.85 0.93 1.05 1.08 | 1.00 0.92 0.99 | 0.96 1.02 1.03 0.93 0.88 | 0.87 0.98 |
| | Loin, Bnls CC Strap-off, FOB Plant, USDA | 1.25 1.24 1.38 1.41 1.38 | 1.30 1.27 1.29 | 1.33 1.32 1.50 1.41 1.36 | 1.37 1.49 |
| | Loin, Tenderloin, FOB Plant, USDA | 1.80 1.74 1.77 1.86 1.94 | 1.89 1.85 1.83 | 1.84 1.92 2.06 1.85 1.86 | 1.86 2.12 |
| | Butt, 1/4 Trim Butt Combo, FOB Plant, USDA | 0.71 0.74 1.04 1.11 1.01 | 0.97 1.02 1.00 | 0.99 1.01 1.02 0.87 0.89 | 0.90 0.96 |
| | Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA | 2.12 2.16 2.17 2.25 2.18 | 2.23 2.20 2.08 | 1.86 1.88 1.95 1.94 2.06 | 2.05 2.13 |
| | Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA | 1.31 1.31 1.58 1.55 1.28 | 1.14 1.24 1.21 | 1.25 1.25 1.25 1.29 1.45 | 1.43 1.54 |
| | Sparerib, Trmd Sparerib - MED, FOB Plant, USDA | 0.82 0.85 0.93 1.05 1.08 | 1.00 0.92 0.99 | 0.96 1.02 1.03 0.93 0.88 | 0.87 0.98 |
| | Loin, Backribs 2.0#/up, FOB Plant, USDA | 2.21 2.23 2.43 2.56 2.59 | 2.35 2.28 2.30 | 2.28 2.30 2.20 1.98 2.22 | 2.21 2.31 |
| | Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA | 0.51 0.70 0.70 0.83 0.68 | 0.70 0.90 0.80 | 0.75 0.76 0.73 0.70 0.73 | 0.68 0.66 |
| | Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA | 0.48 0.67 0.70 0.79 0.79 | 0.70 0.89 0.82 | 0.74 0.74 0.72 0.64 0.70 | 0.66 0.65 |
| | Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA | 1.06 1.28 1.49 1.23 1.06 | 1.16 1.59 1.72 | 1.44 1.60 1.44 | 1.44 1.55 |
| | Belly Cutout, FOB Plant, USDA | 1.41 1.64 1.90 1.58 1.41 | 1.11 1.95 2.12 | 1.82 2.00 1.80 | 1.80 1.77 1.96 |
| | N.E. BROILER BREAST BONELESS-SKINLESS, USDA | 1.88 1.89 1.99 1.93 1.92 | 1.92 1.90 1.93 | 1.95 1.93 1.98 2.05 1.97 | 1.95 2.03 |
| | N.E. BROILER WINGS, USDA, WT.AVG. | 5.65 6.67 7.66 7.36 6.41 | 5.73 5.68 5.87 | 5.76 5.68 5.48 5.34 5.19 | 5.33 5.44 |
| | HOG CARCASS | 1.57 1.73 1.81 1.73 1.75 | 1.61 1.62 1.95 | 1.85 1.85 1.78 1.65 1.58 | 1.56 1.90 |
| | | 1.76 1.94 1.98 1.94 1.98 | 1.84 1.89 2.26 | 2.21 2.15 1.96 1.88 1.83 | 1.79 2.11 |
| | | 2.11 2.16 2.19 2.23 2.24 | 2.22 2.22 2.24 | 2.27 2.25 2.23 2.18 2.10 | 2.08 2.10 |
| | | 0.66 0.80 0.89 0.83 0.93 | 0.85 0.79 0.91 | 0.92 0.99 0.67 0.66 0.71 | 0.64 0.76 |

*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus $1.10
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA

- 5 YR. MONTHLY AVERAGE
- YEAR AGO WEEKLY PRICE
- WEEKLY PRICE
- FORECAST

wk. end. Aug 16, 2019 = 95.58

Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA

- 5 YR. MONTHLY AVERAGE
- YEAR AGO WEEKLY PRICE
- WEEKLY PRICE
- FORECAST

wk. end. Aug 16, 2019 = 121.05
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA

wk. end. Aug 16, 2019 = 70.89

Belly, Derind Belly 9-13#, FOB Plant, USDA

wk. end. Aug 16, 2019 = 211.79