

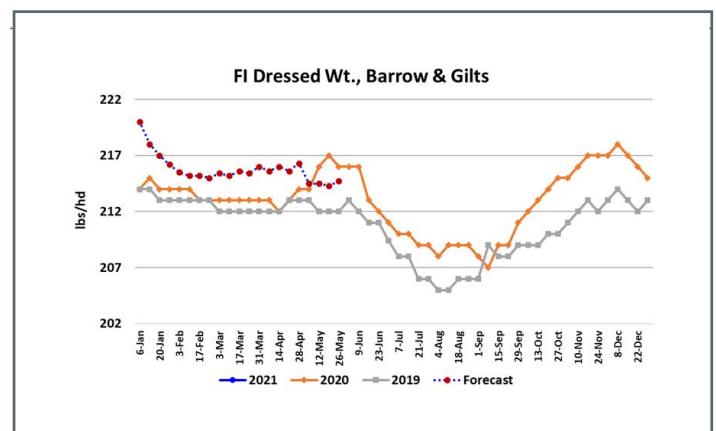
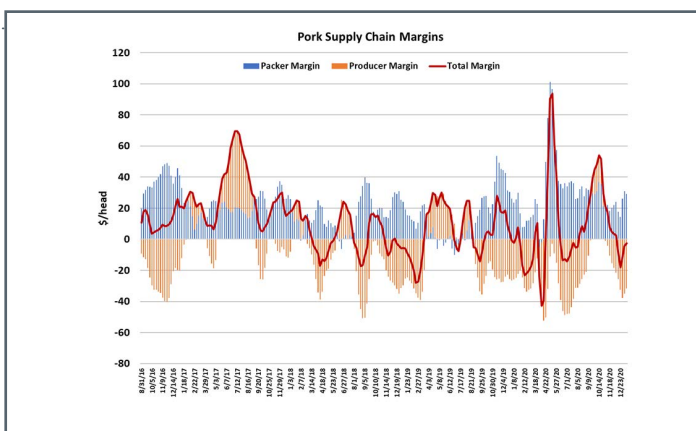
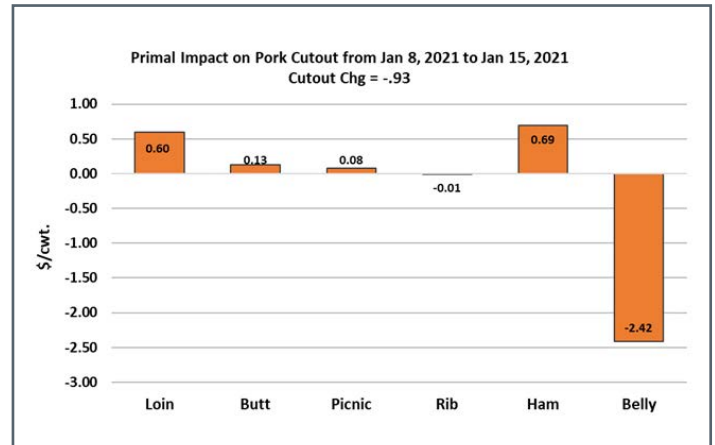
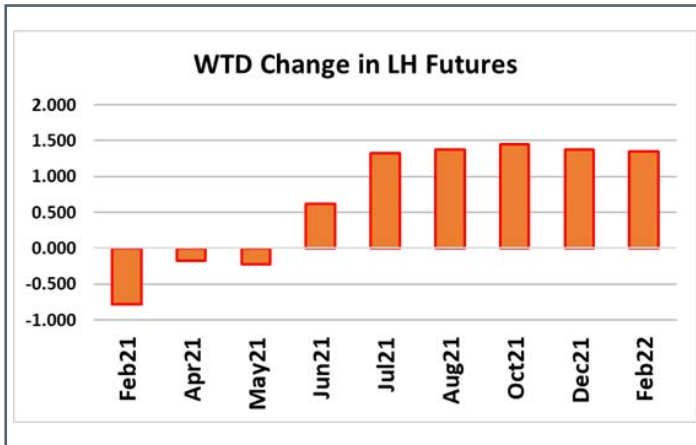


JANUARY 16, 2021

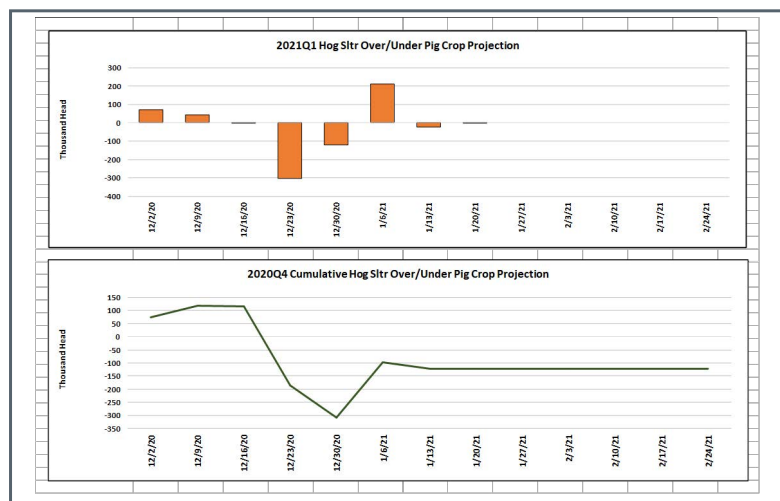
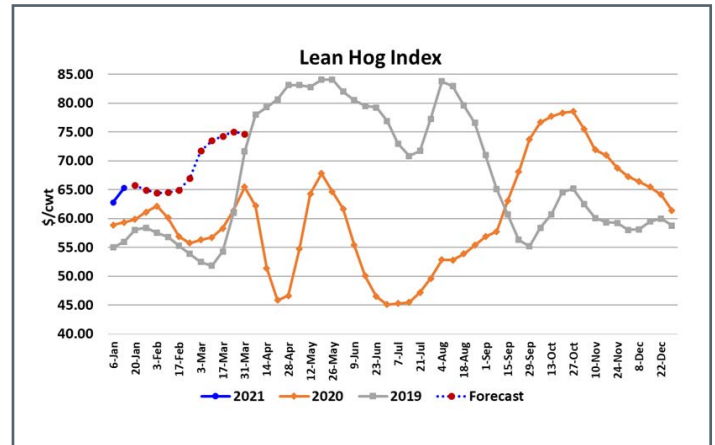
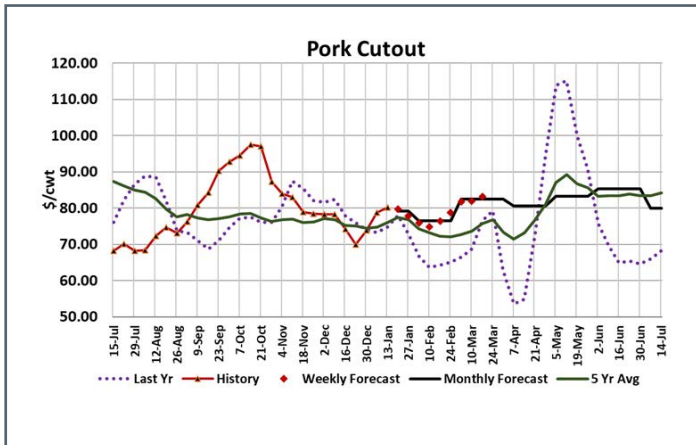
# THE PORK WRAP

Cash hogs were a little lower on the week, with the NDD negotiated market off \$2.22 Friday-to-Friday. The WCB however, was up \$0.72 this week. I've noticed that the regional hog prices and the national hog price have been really disjointed since the first of the year when USDA went to putting all four on the same report. For example, during December, the standard deviation of the spread between the WCB and NDD was about \$0.51. So far in January, that standard deviation is \$2.11. So something has definitely changed and the regional markets are not tracking the national price as closely as they used to. I don't know if that has to do with the change in reporting or if something has structurally changed in these markets. We will need to monitor that. The cutout lost almost \$1 Friday-to-Friday. The belly primal lost value, while the remaining primals were higher, but not by enough to offset the weakness in the belly. One thing that we were watching for this week was the cutout to come under pressure from the huge slaughter that was posted the week before. That didn't happen, so there must have been at least some modest demand improvement this week. There were some slaughter disruptions due to weather in the upper Midwest late in the week and that clipped the weekly total slaughter down to 2.65 million. By my calculation, there were about 100,000 hogs that were scheduled to die this week that didn't meet their maker. Packers did push some Friday hogs into Saturday, but there will still be some leftover hogs to be dealt with next week. I think the disruption is more likely to affect the cash hog market than the pork market because of the huge kill the week before. Packers can't realistically add much to the weekday kill, so the best bet to catch up will be next Saturday. That may mean that some hogs have to wait several days for their appointment with the packer. Interestingly however, this week's weather-reduced kill was almost dead on with what the pig crop implied (chart below). We are now halfway through the Dec/Feb quarter and the cumulative kill is about 100k below what the Jun/Aug pig crop implied. Keep in mind that this is not the original Jun/Aug pig crop, but the one that was revised upward by almost a million head in the last Hogs and Pigs report. My guess is that even with the upward revision, packers will end up over-killing the pig crop when all is said and done. It sure does seem like there are plenty of pigs on the ground currently. They are also very heavy. Thursday's carcass weight data pegged barrow and gilt carcass weights at 219 pounds, which is the heaviest carcass weight ever printed by USDA for this class of hogs. And, I'm forecasting next week's number to be another pound higher. We saw the DTDS weights shoot higher this week to a level that we saw in early June following the plant closures.

I will reserve judgment because there can be some goofiness in the weight data around holidays, but from what I've seen so far, the weight data is looking pretty bearish. Production should stay large through the end of this quarter (February). The next quarter will work off the Sep/Nov pig crop which was reported down 1.4% YOY, which is a little smaller than the 0.9% YOY decline in the Jun/Aug pig crop that we are currently killing. So, maybe there will be a small amount of supply relief as we move into March. On the demand side, the combined margin has been in an uptrend for the past few weeks, but this week's increase was very small and it makes me wonder if it is not approaching a local top. A similar thing happened in each of the last 2 Januaries. The combined margin increased in early Jan, then stalled and headed lower into February. Could that be about to happen again this year? I think quite possibly so. Looking at export demand, it is hard to get a good read since the weekly data around holidays is not great. It doesn't look like China is stepping up US purchases so far in 2021, so we might have to count on improvement to other destinations to keep exports supported. The monthly trade data for November was impressive however, at 1.5% larger than last year's big total. The data for December will be released on Feb 8 and it is very doubtful that exports will exceed last year's huge December number. I've got Dec exports down almost 7% YOY. The hog futures this week were much like the cattle futures: soft in the front months, strong in the back. No doubt that soaring corn futures have made traders think that hog producers will end up trimming production later in the year and that will result in higher prices. I haven't adjusted my production forecasts for high corn yet because I'm not convinced that it is going to stay high for an extended period. I want to see how the weather plays out over the next couple of months. Next week, watch the weekly weights since they could have a huge influence on which direction the market goes over the next few weeks. Also watch the daily kills and the projected Saturday kill for indications that packers are working to stuff this week's un-killed hogs into next week's production.



While the information contained in this report has been obtained from sources believed to be reliable, J.S. Ferraro disclaims all warranties as to the accuracy, completeness or adequacy of such information. The information is not a recommendation to trade nor investment research. User assumes sole responsibility for the use it makes of this information to achieve his/her intended results. No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior written consent of J.S. Ferraro.



**DR. ROB MURPHY** BS, MS, PhD Agri Economics,  
Executive Vice President, Research & Analysis,  
J.S. Ferraro

E: [Rob.Murphy@jsferraro.com](mailto:Rob.Murphy@jsferraro.com) [in](#) [tw](#)

*Dr. Rob Murphy is an agricultural economist and business leader with over 29 years in the industry. He has a wealth of experience in the North American meat and livestock industries studying, analyzing and predicting market movements.*

**SUBSCRIBE NOW for market intelligence**