



WEEK ENDING JUNE 04, 2021

THE PORK WRAP

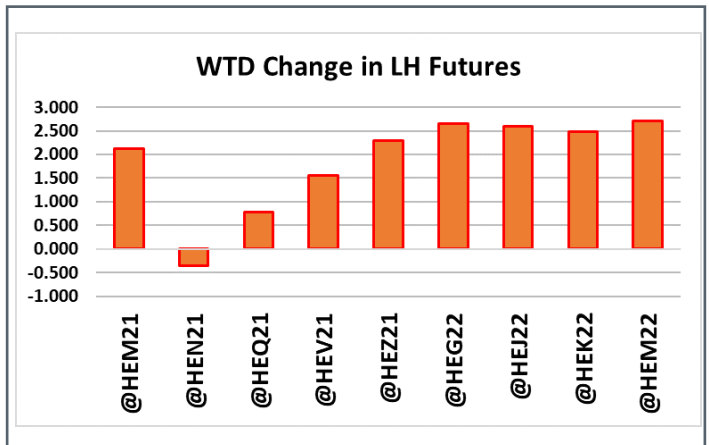
The JBS cyberattack and subsequent processing difficulties affected the pork industry in addition to the beef industry. Tuesday's kill dropped to 390k, down about 95k from recent normal weekday kill levels. As with beef, this sent pork buyers scrambling to find product and the cutout moved higher. As of Thursday night, the cutout was up about \$6 on the week. The cutout has recently been bolstered by resurgence in interest for hams and bellies and those two primals led this week's gains. That doesn't mean that interest in the other primals is falling off, however.

Buyers may breathe a sigh of relief now that all of JBS' plants are operating normally again, but with kills shrinking seasonally, they will likely have to continue paying up for the pork products they need. The negotiated hog markets have been mixed so far this week, but the WCB market is up about \$1 on a weekly average basis. So far, there is no evidence that the smaller-than-normal kills on Tuesday and Wednesday caused much pressure on the cash hog markets. Judging from what we have been seeing with hog weights, it looks like hog barns were pretty current coming into the holiday weekend. The negotiated hog markets have been working lower in the past few weeks after peaking around \$120 in mid-May. Packer margins swelled to \$30/hd this week—a really strange situation because packer margins are often negative in June. This raises the potential that pork packers, much like beef packers, may support the cash hog market at higher-than-necessary levels in the next few weeks.

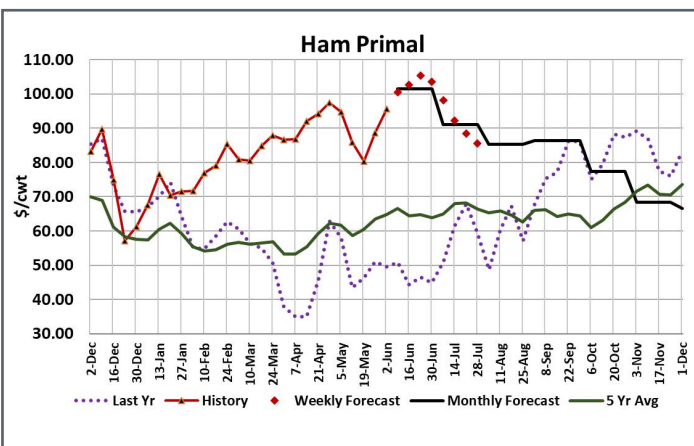
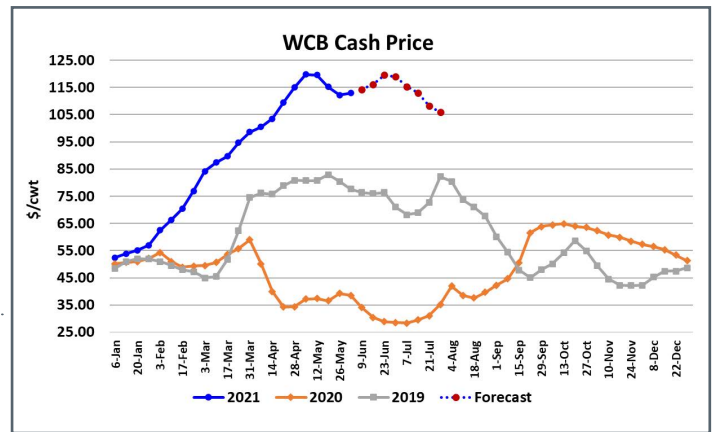
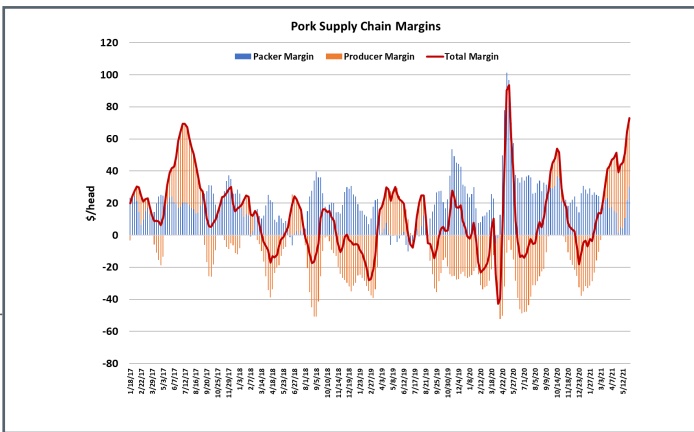
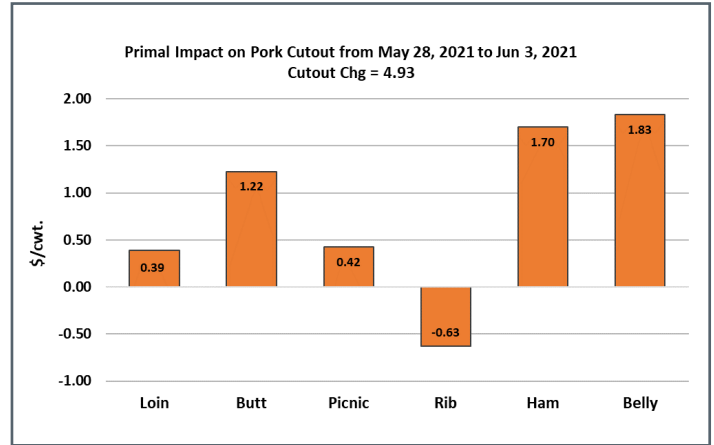
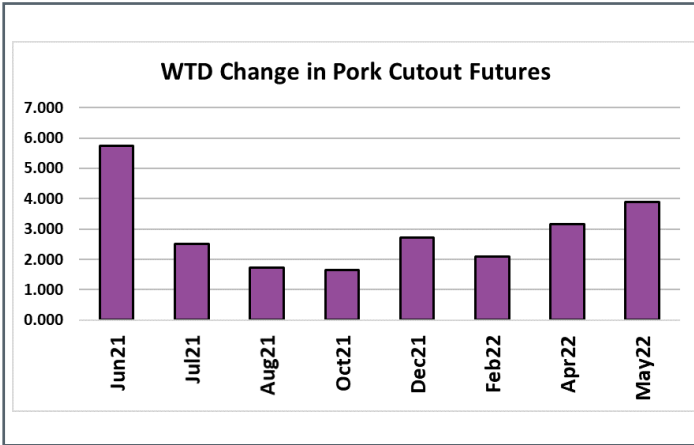
The cutout is likely to keep moving higher, so they will certainly have the revenue to hold the cash hog market steady or perhaps even increase what they pay somewhat. The combined margin chart below shows that the demand strength just keeps building in this market. The cutout printed \$131.52 this afternoon and is already higher than the peak it made last year during May when half of the pork packing capacity was down due to COVID infections in the plants. That is simply amazing. The price rally won't end until something changes on the demand side of the equation, because that is what is responsible for these super-high price levels.

The futures market is currently pricing the Jun contract, which has seven trading days until expiration, at a little over \$119. However, traders appear reluctant to extend that strength much beyond Jun since the Jul contract is almost on par with the Jun. In the cutout futures, the Jul contract is actually trading \$4 below Jun, which is a signal that traders expect the cutout to top sometime in the next couple of weeks. I'm not so sure and thus I raised all of my forecasts once again this week.

I now expect the ham primal to break the \$100 level next week and possibly trade into the \$105-110 range before pulling back. The hams make up such a large part of the carcass that it is difficult to get much of a decline in the cutout while the hams are rallying. The weekly export data was delayed this week due to the holiday, but traders will be watching it closely for signs that exports will strengthen this summer. As touchy as this market is right now, a big export sales number could send it quickly higher. At this point it looks about \$2 too rich to me, but this market has had an uncanny ability to surprise to the upside this year.



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 [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

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.