Hog/pork market

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1. Transparency and the hog/pork market
2. "Lessons learned" from 2020 – An analyst's perspective
3. What is the current situation and outlook?

PORK

https://www.porkbusiness.com/markets/market-news/covid-19-its-not-repeat-1990s-pig-farmers

MARKET NEWS

COVID-19: It's Not a Repeat of the 1990s for Pig Farmers

By JENNIFER SHIKE April 15, 2020

USDA Agricultural Marketing Service

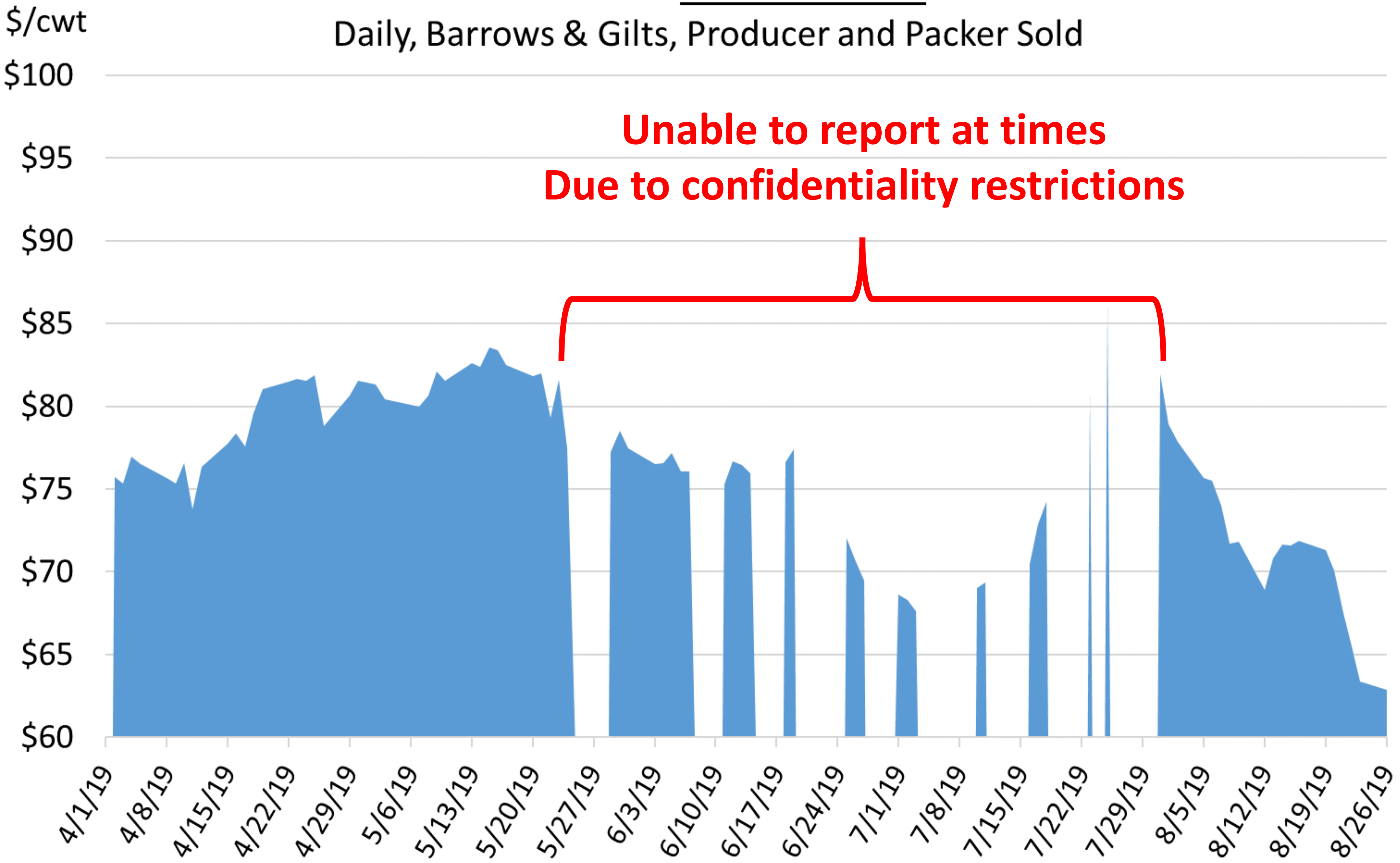
Livestock Mandatory Reporting Background

In the mid-1990's, there were growing concerns in the industry and Congress over packer concentration as meat packing companies were consolidating and getting larger. This was captured in a 1996 report, Pork Price Reporting Improvement Initiative, as a survey of pork industry packers. In the fall of 1998, the swine industry faced an oversupply situation, and negotiated slaughter hog prices fell to historically low levels. At the same time, some hog producers were engaged in alternative formula contracts that did not decline in value as much. The resulting outcry from this scenario and the ongoing concentration concerns prompted Congress to pass the Livestock Mandatory Reporting Act of 1999 (1999 Act) [Pub. L. 106-78, Title IX].

https://www.ams.usda.gov/sites/default/files/media/LivestockMandatoryReportingBackground.pdf

WESTERN CORNBELT NEGOTIATED HOG PRICE

Daily, Barrows & Gilts, Producer and Packer Sold



Data Source: USDA-AMS-LPGMN; Compiled by LMIC

LM_HG208 Western Cornbelt Daily Direct Hog Prior Day – Purchased Swine by Plant Location

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USDA Agricultural Marketing Service

Livestock, Poultry, and Grain Market News Division

1400 Independence Avenue, SW.
Room 2619-S, STOP 0252
Washington, DC 20250-0252

USDA Market News Revises Regional Swine Market Reports

On July 31, 2019, USDA's Agricultural Marketing Service (AMS) will revise its Livestock Mandatory Reporting (LMR) direct swine reports to provide more continuous coverage of the regional negotiated swine markets.

Since the implementation of LMR in 2001, the volume of barrows and gilts purchased on a negotiated basis has declined from 17 percent of the market to about 1 percent today. The thinness of the negotiated market has made it increasingly difficult for AMS to publish regional market information while maintaining the confidentiality requirements set forth in the statute.

As requested by the pork industry, AMS will publish only weighted average prices for carcass and live basis negotiated barrows and gilts and not show the daily volumes or price ranges on the Iowa-Minnesota, Western Cornbelt, and Eastern Cornbelt regional daily and prior day swine purchase reports going forward. This revision allows AMS to publish as much regional data as possible while preserving confidentiality. The National swine purchase reports will continue to include volume, price ranges, and weighted average prices for the negotiated barrow and gilt market. The other swine purchase types – other market formula, swine or pork market formula, and other purchase arrangement – are not impacted by this revision.

To access AMS direct swine reports, visit: www.ams.usda.gov/market-news/swine-direct-reports. For more information on LMR, visit: www.ams.usda.gov/rules-regulations/mmr. For additional information, contact Taylor Cox, Livestock, Poultry, and Grain Market News Field Chief, at (515) 284-4460.

USDA Market News Moves Hog Reports to One Convenient Format

Date: November 18, 2020

Beginning Dec. 7, 2020, the U.S. Department of Agriculture's (USDA)
Prior Day Hog Purchase Reports (LM_HG218 (pdf) and LM_HG234 (
(LMR). These all-inclusive USDA Market News reports will provide c
and replace the individual national and regional reports, which wil
to the new format, customers will continue to have seamless acces
continue to be available using various platforms such as DataMart,

Similar to the Daily Direct Hog Reports (LM_HG216 and LM_HG217)
information from the Eastern Cornbelt, Iowa-Minnesota and Weste
information into a single report versus four separate reports. The re
barrows and gilts as well as sows and boars on a carcass and live ba
and state of origin. Moreover, customers will see an improved Nego
as additional purchase type data for all classes, specifically Other M
not previously reported.

To access direct swine reports, visit: www.ams.usda.gov/market-ne
www.ams.usda.gov/rules-regulations/mmr. For additional informa

https://www.ams.usda.gov/content/usda-mn-moves-hog-reports-one-convenient-format

USDA

Iowa/Minnesota Daily Direct Prior Day Hog Report Based on State of Origin

Agricultural Marketing Service
Livestock, Poultry, and Grain Market News

December 31, 2020

LM_HG218 ~~LM_HG204~~

Email us with accessibility issues regarding this report.

Special Note: Starting January 4th, 2021, this information will transition to a more user-friendly and accessible format at https://www.ams.usda.gov/mnreports/ams_3458.pdf

Plant Delivered Purchase Data For Wednesday, December 30, 2020

Current Volume By Purchase Type
Barrows & Gilts Live and Carcass Basis

Purchased Swine (Including Packer Sold)

	Actual Prior Day	Actual Week Ago	Actual Year Ago
~~Producer Sold~~			
~~Negotiated~~	~~5,213~~		13,324
Other Market Formula (Futures/Options)	14,508		19,075
Swine or Pork Market Formula	63,885		63,538
Other Purchase Arrangement	25,740		42,669
Negotiated Formula	0	0	0
~~Packer Sold (all purchase types)~~	11,640	0	9,551

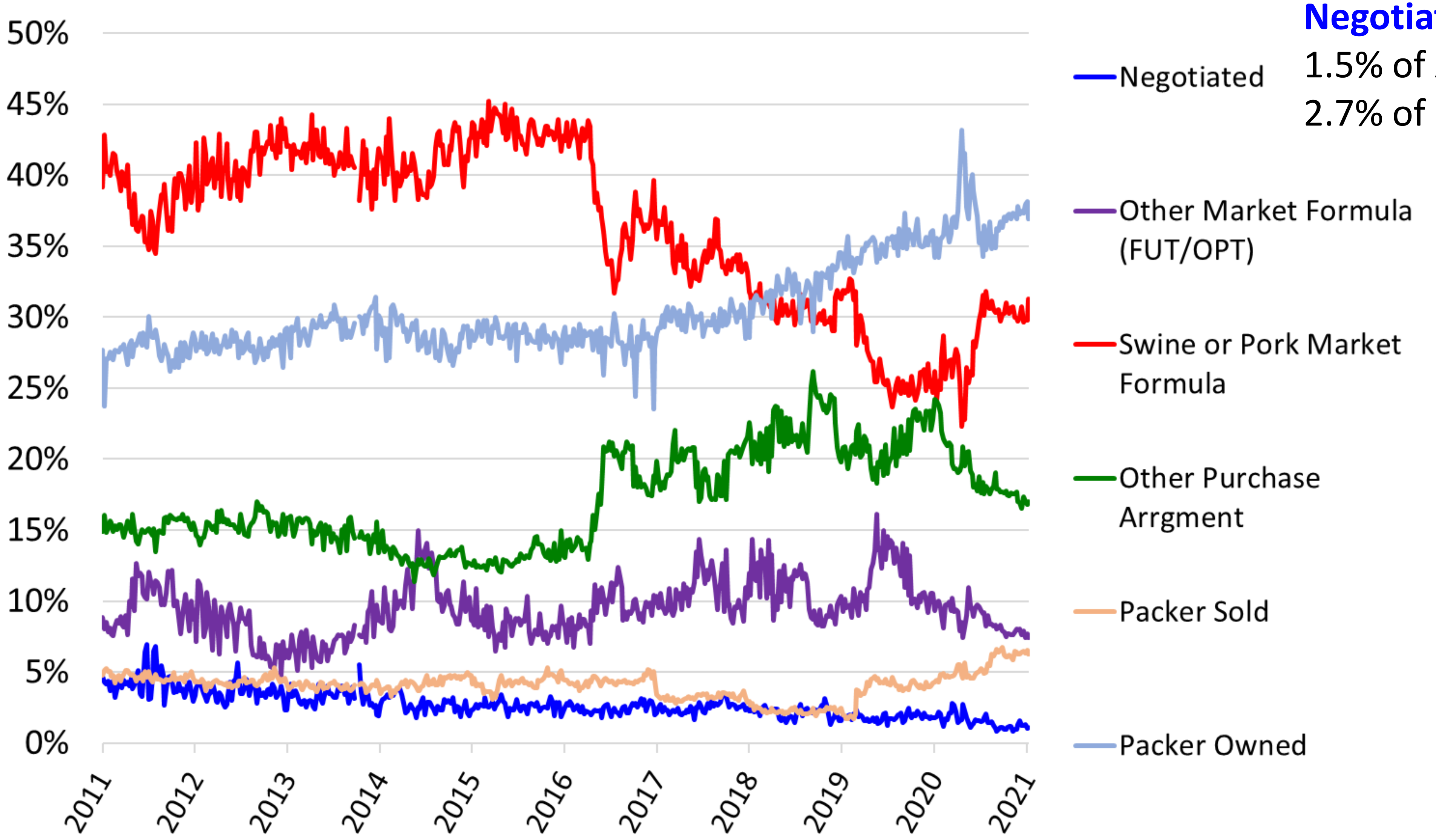
Purchased Swine (Including Packer Sold)

	Negotiated	Other Market Formula (FUT/OPT)**	Swine or Pork Market Formula	Other Purchase Arrgment	Negotiated Formula	~~Totals/ Wtd Avg~~
Barrows & Gilts (carcass basis):						
~~Producer Sold~~						
Head Count	~~5,213~~	14,508	63,608	25,740	0	~~109,069~~
Base Price	50.18	63.12	59.32	62.25	*	~~60.08~~
~~Packer Sold~~						
Head Count						~~11,640~~
Base Price						~~58.19~~

More Detail

NATIONAL HEAD COUNT BY PURCHASE TYPE

Weekly, Barrows & Gilts, Producer and Packer Sold/Owned



Negotiated in 2020

1.5% of All

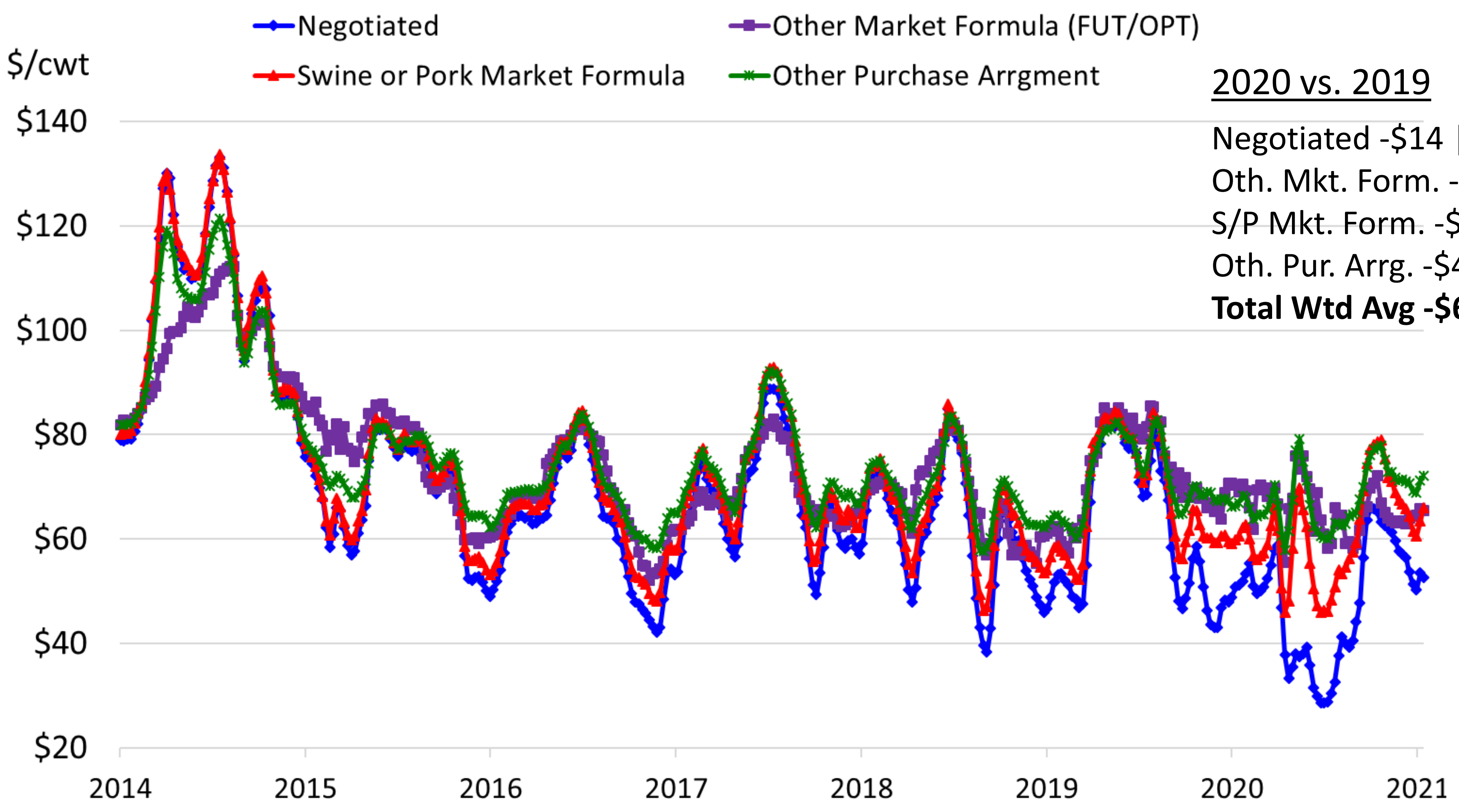
2.7% of Producer sold

Data Source: USDA-AMS-LPGMN; Compiled by LMIC

LM_HG201 National Daily Direct Hog Prior Day – Slaughtered Swine

NATIONAL NET CARCASS PRICES

Weekly, Barrows & Gilts, Producer Sold



<u>2020 vs. 2019</u>

Negotiated -$14 | -22%

Oth. Mkt. Form. -$7 | -9%

S/P Mkt. Form. -$7 | -10%

Oth. Pur. Arrg. -$4 | -5%

Total Wtd Avg -$6 | -8%

Data Source: USDA-AMS-LPGMN; Compiled by LMIC

LM_HG201 National Daily Direct Hog Prior Day – Slaughtered Swine

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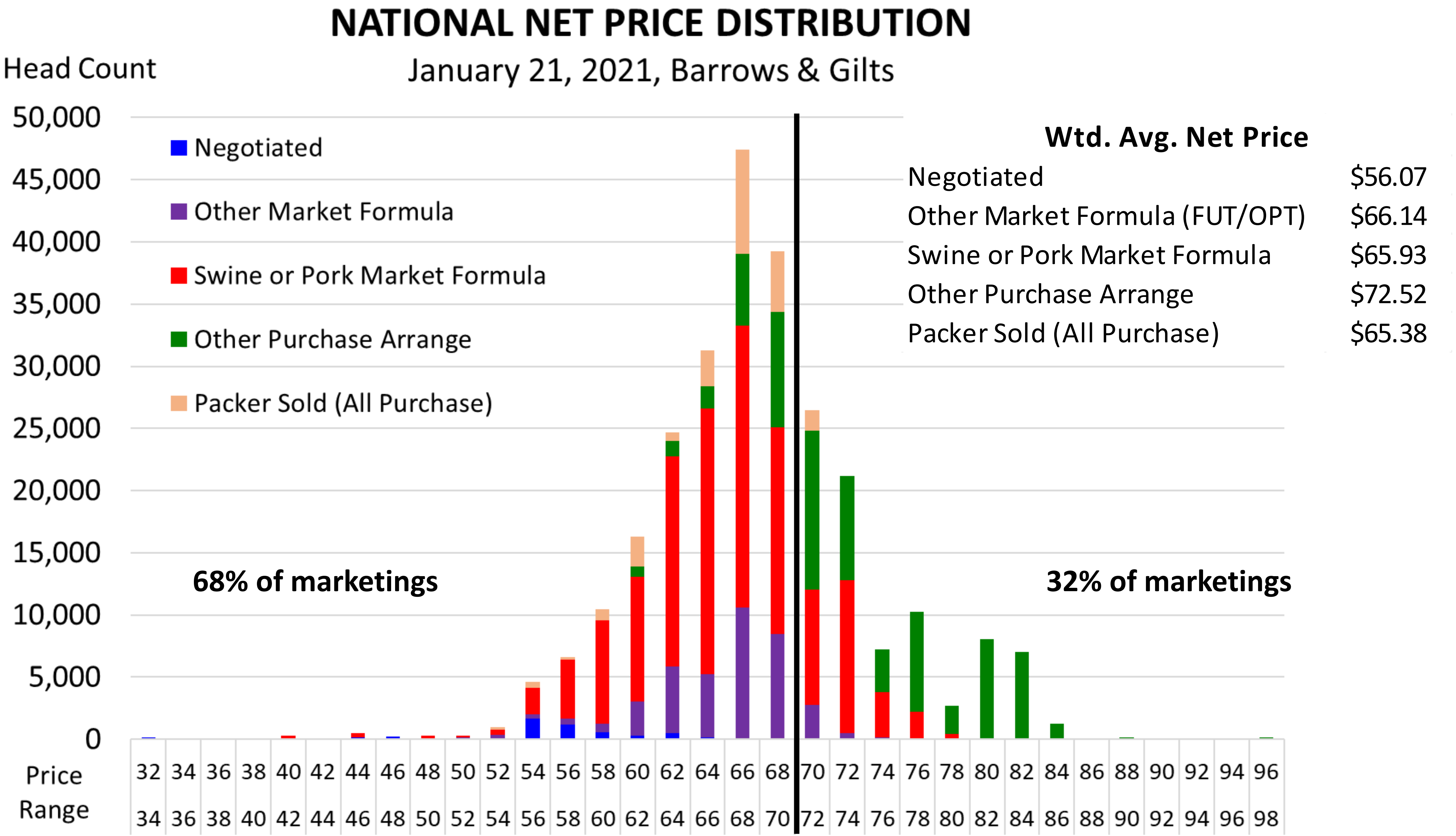

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Data Source: USDA-AMS-LPGMN

LM_HG215 National Daily Direct Hog Prior Day Report -Average Net Price Distribution

USDA Agricultural Marketing Service
U.S. DEPARTMENT OF AGRICULTURE

https://www.ams.usda.gov/rules-regulations/packers-and-stockyards-act/regulated-entities/swine-contract-library

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Swine Contract Library Information

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Regulated Entities

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- Dealers
- Markets
- Packers
- Swine Contractors
- Live Poultry Dealers
- Frequently Asked Questions
- Contact Us
- P&S Act and Regulations

The Packers and Stockyard
Library (SLC) as mandated
Agriculture to establish an
purchase of swine (includi
price discovery process an

Frequently Asked Questio

Submitting Information t

- Current Forms and Ins
- Instructions for Using
- SCL Submission Site
- Other submission me

Swine Packer Marketing Contract Summary - Iowa Minnesota
Swine or Pork Market Formula

Determination of Base Price 530

All Reports Referenced

LM_HG203, Negotiated Base Weighted Average Range, 2 days prior to delivery
LM_PK602, Pork Carcass Cutout, 2 days prior to delivery

Other Terms

Final Price = 35% (Cutout Value + Cutout Premium) + 65% (Weighted Average +Weighted Average Premium) + Carcass Merit Adjustment
Premium/Discount Type: Carcass Merit; See Schedule: 64
Premium/Discount Type: Sort; See Schedule: 85
Premium/Discount Type: Cutout Premium, ($13.25)
Premium/Discount Type: Weighted Average Premium

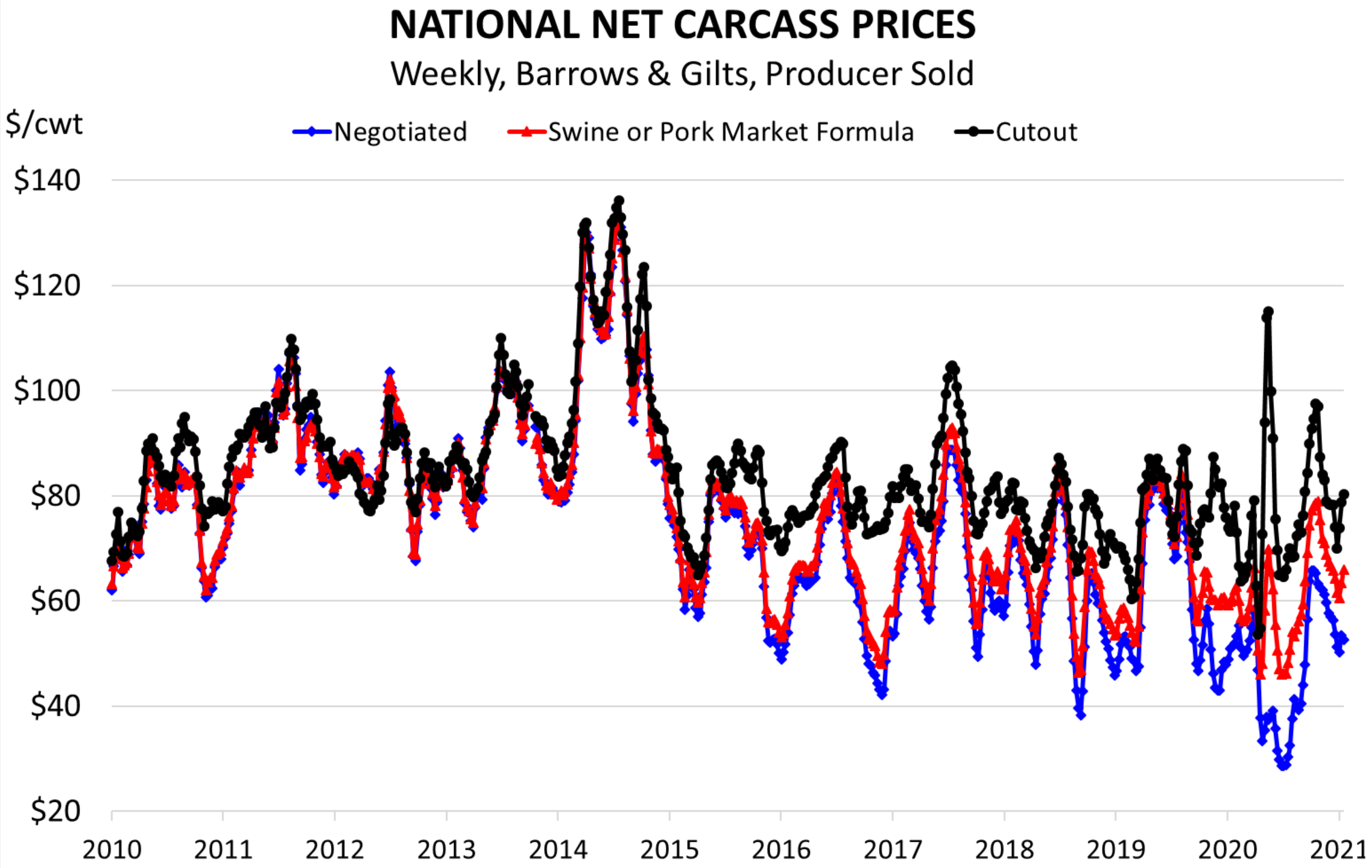
Determination of Base Price 1475

All Reports Referenced

LM_HG212, Negotiated Base Weighted Average, Two Days Prior to Delivery

Other Terms

Premium/Discount Type: Carcass Merit; See Schedule: 64
Premium/Discount Type: Sort; See Schedule: 85
Premium/Discount Type: Contract Premium, ($1.00)



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Data Source: USDA-AMS-LPGMN; Compiled by LMIC

LM_HG201 National Daily Direct Hog Prior Day – Slaughtered Swine; LM_PK602 National Daily Pork Report FOB Plant - Negotiated Sales - Afternoon

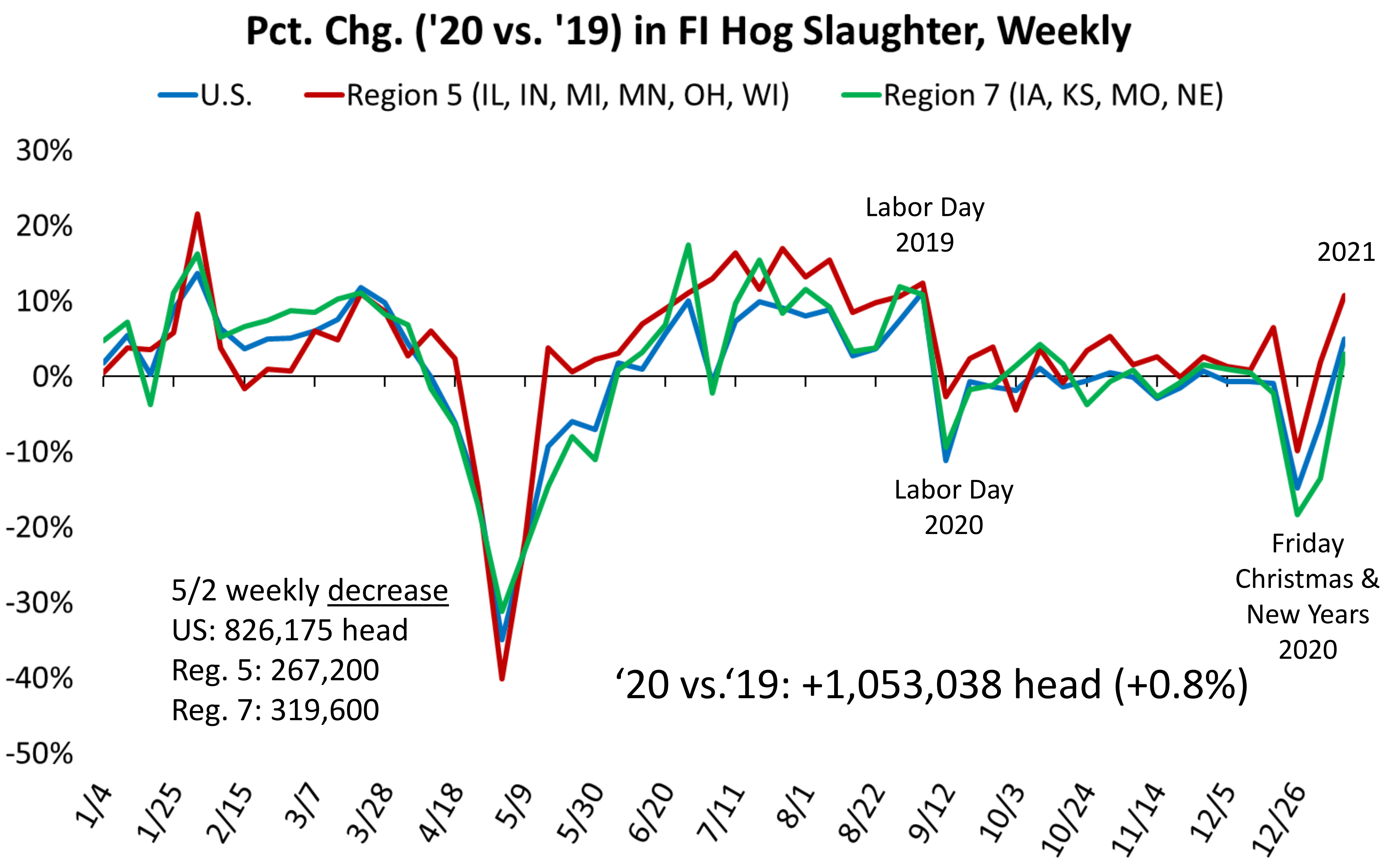
Correlations, Weekly Average Prices

2014-2018	Cutout	Negotiated	Swine or Pork Market Formula	CME Lean Hog Index	Producer Sold Hogs	All Hogs
Cutout	1					
Negotiated	0.95203	1				
Swine or Pork Market Formula	0.96352	0.99804	1			
CME Lean Hog Index	0.96225	0.99851	0.99980	1		
Producer Sold Hogs	0.95892	0.99720	0.99850	0.99863	1	
All Hogs	0.95899	0.99732	0.99862	0.99867	0.99998	1

2019-2020	Cutout	Negotiated	Swine or Pork Market Formula	CME Lean Hog Index	Producer Sold Hogs	All Hogs
Cutout	1					
Negotiated	0.32969	1				
Swine or Pork Market Formula	0.66517	0.91463	1			
CME Lean Hog Index	0.63318	0.92748	0.99846	1		
Producer Sold Hogs	0.67404	0.90089	0.99077	0.98797	1	
All Hogs	0.66681	0.90664	0.99242	0.98983	0.99963	1

Data Source: USDA-AMS-LPGMN & CME Group; Compiled by LMIC

LM_HG201 National Daily Direct Hog Prior Day – Slaughtered Swine; LM_PK602 National Daily Pork Report FOB Plant - Negotiated Sales – Afternoon



Data Source: USDA-AMS-LPGMN

SJ_LS713 U.S. Federally Inspected Slaughter by Region

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Hogs Federally Inspected Plants and Head Slaughtered by Size Group –United States: 2019

Size group	Plants Num.	Plants Pct.	Head Thou	Head Pct.	Head per Year	Head per Week	Head per Day
1 - 999	396	64.0%	125.4	0.1%	317	6	1
1,000 - 9,999	123	19.9%	337.9	0.3%	2,747	53	10
10,000 - 99,999	39	6.3%	1,529.4	1.2%	39,215	754	140
100,000 - 249,999	18	2.9%	2,967.6	2.3%	164,867	3,171	587
250,000 - 499,999	7	1.1%	2,501.0	1.9%	357,286	6,871	1,272
500,000 - 999,999	3	0.5%	2,074.1	1.6%	691,367	13,296	2,462
1,000,000 - 1,999,999	6	1.0%	7,849.1	6.1%	1,308,183	25,157	4,659
2,000,000 - 2,999,999	12	1.9%	31,794.8	24.6%	2,649,567	50,953	9,436
3,000,000+	15	2.4%	80,031.5	61.9%	5,335,433	102,604	19,001
Total	619		129,210.8				

Mid-point of ranges
52 slaughter weeks
5.4 slaughter days per week

Data Source: USDA-NASS

Livestock Slaughter Annual Summary

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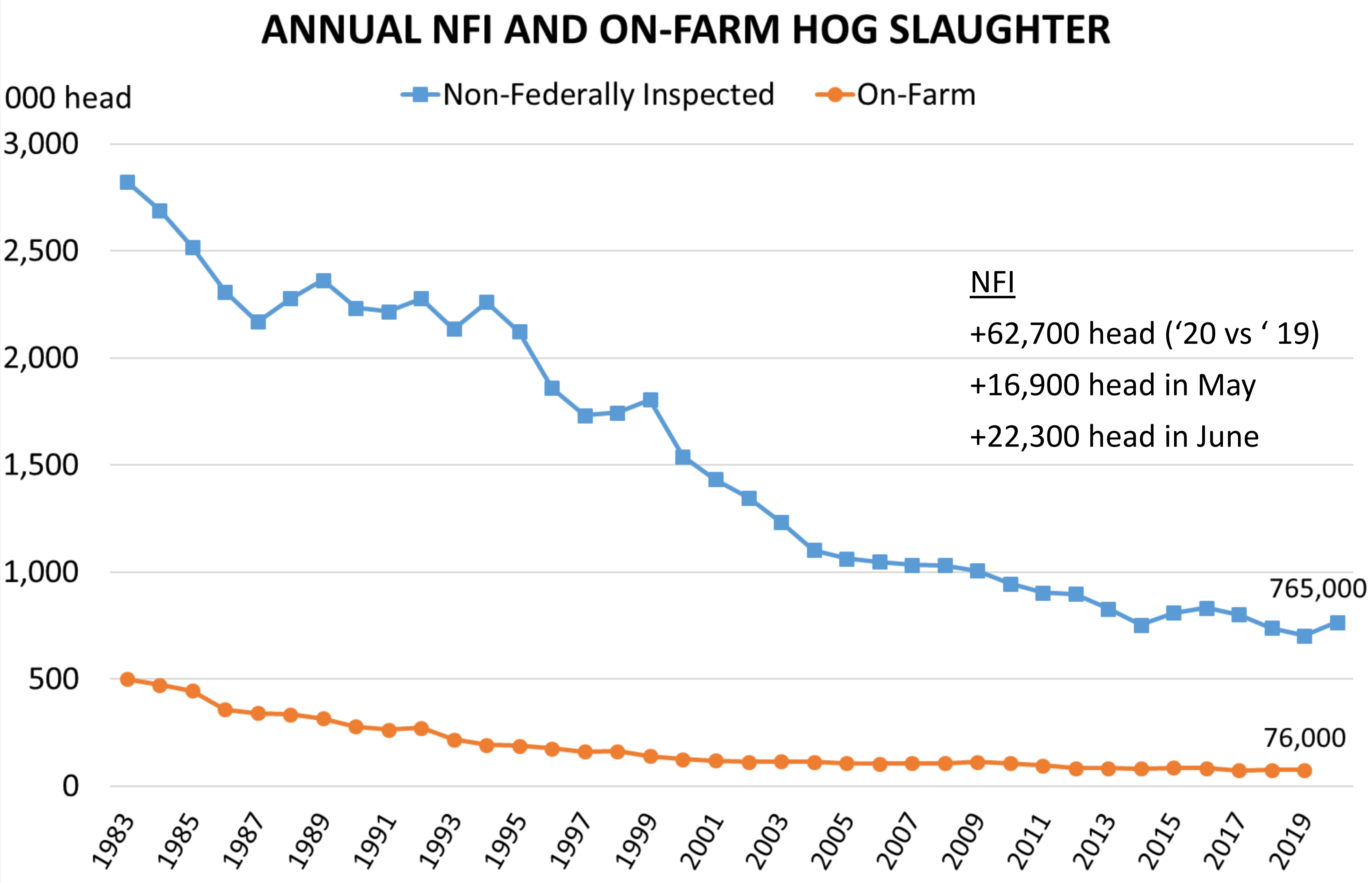
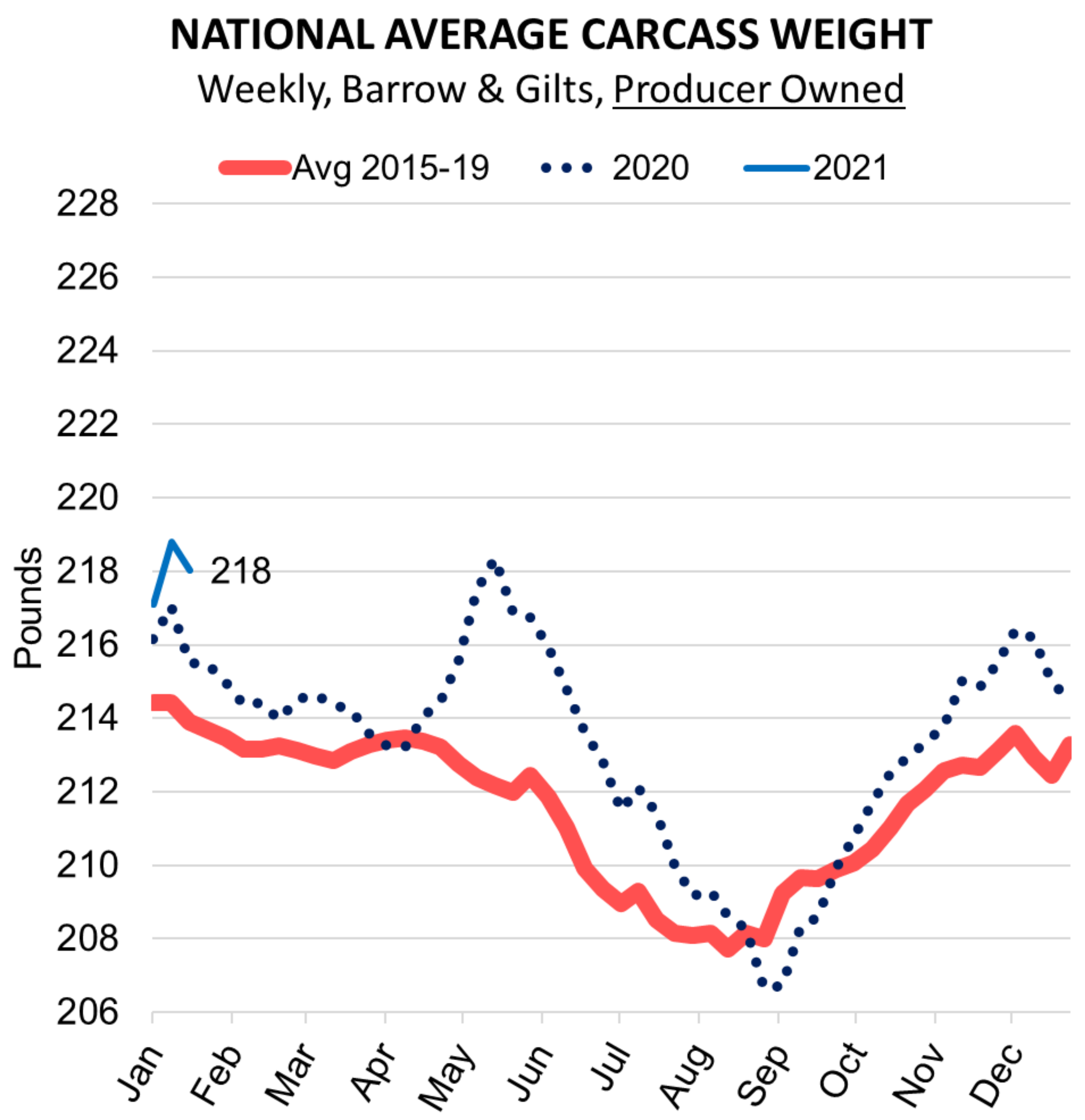
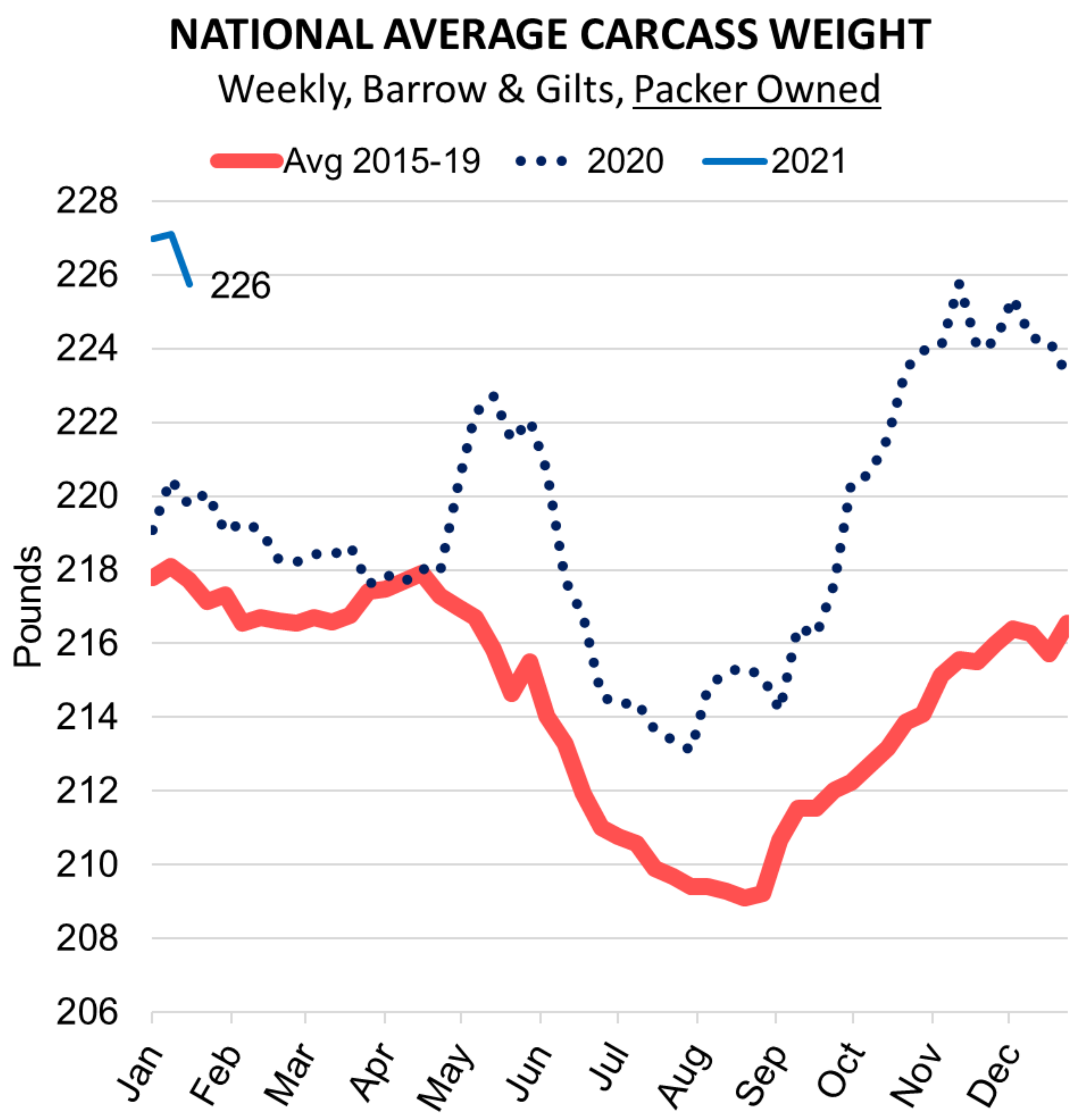


Data Source: USDA-NASS

Livestock Slaughter; Livestock Slaughter Annual Summary





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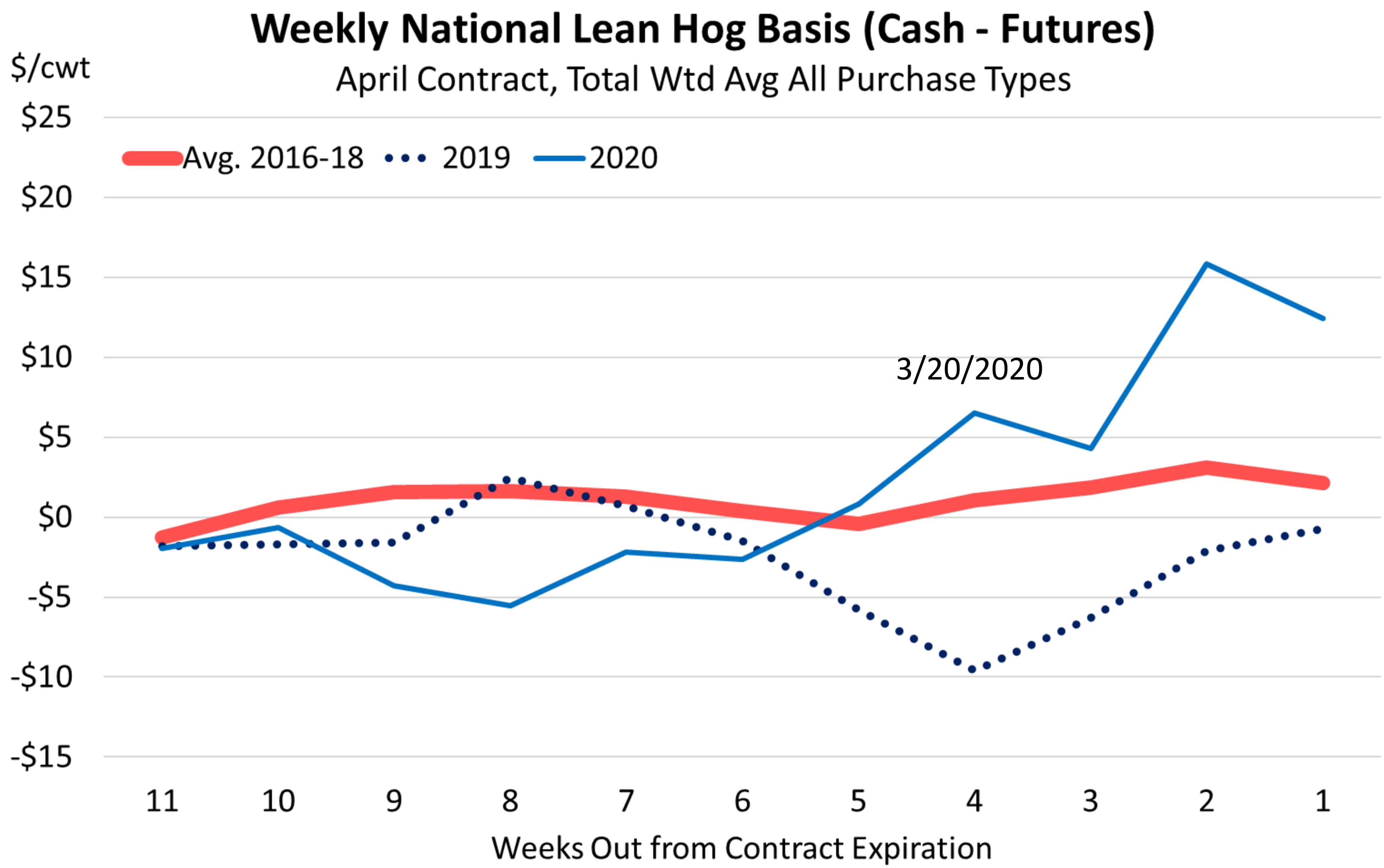
LM_HG201 National Daily Direct Hog Prior Day – Slaughtered Swine



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LM_HG201 National Daily Direct Hog Prior Day – Slaughtered Swine

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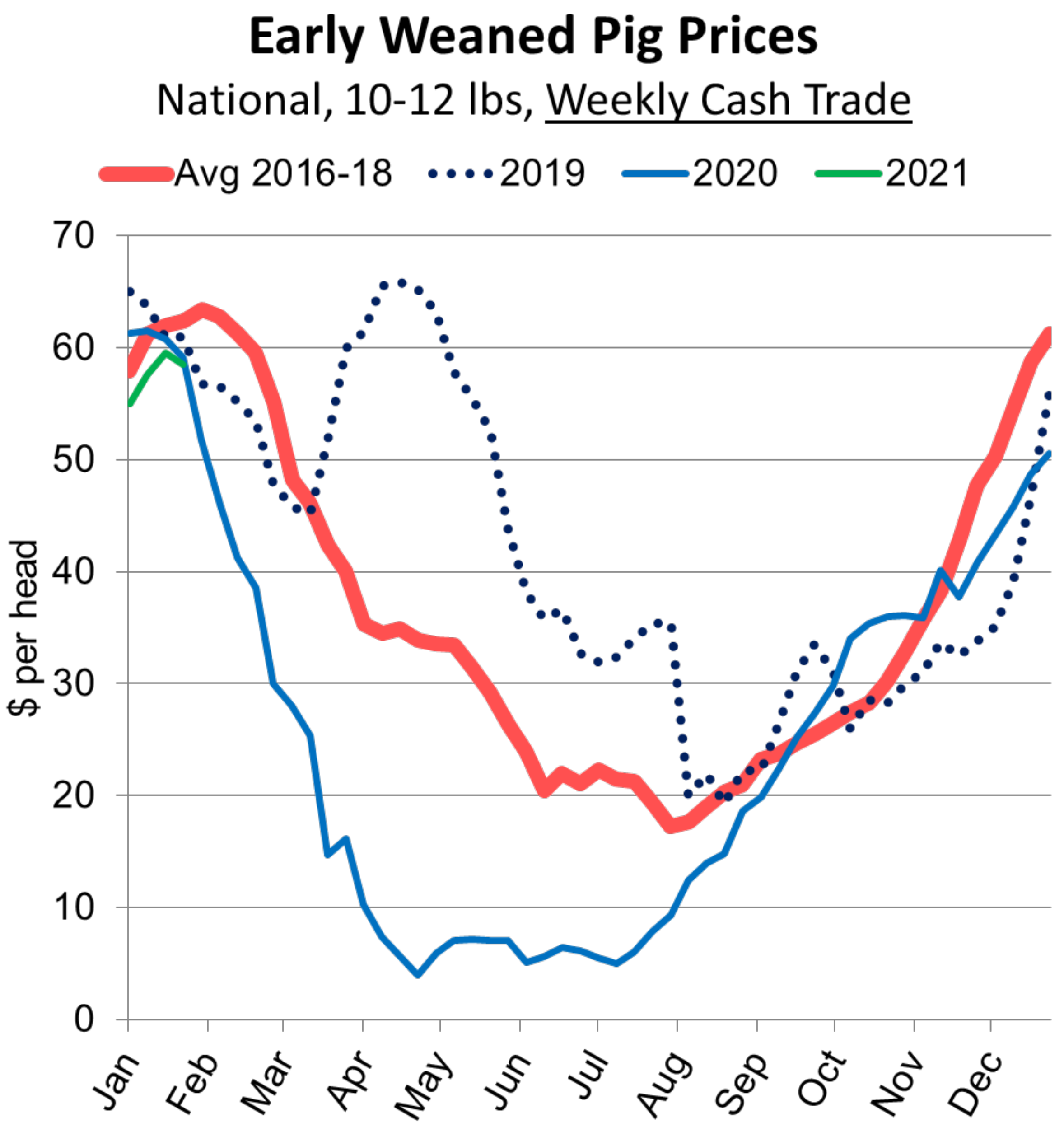

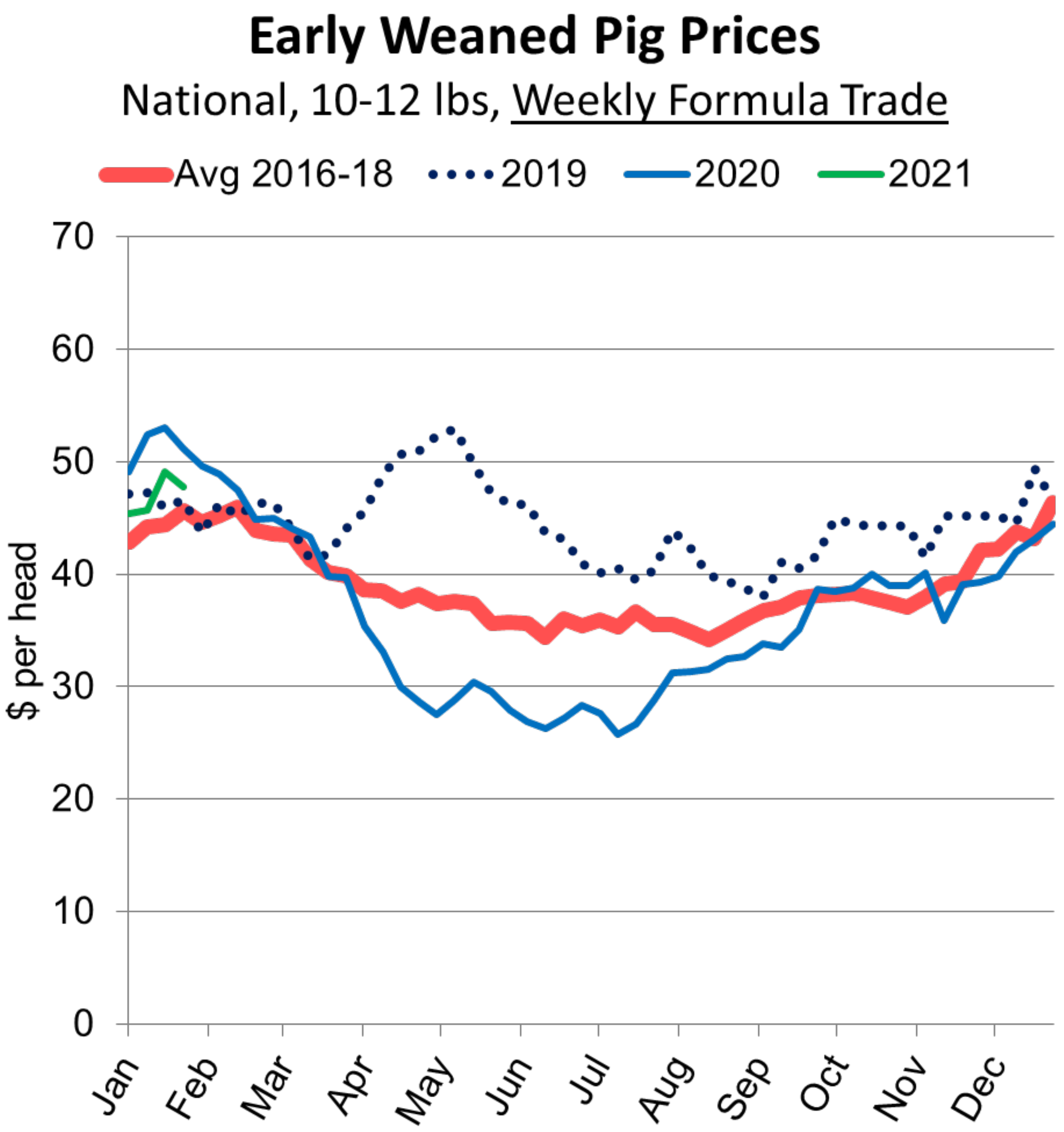

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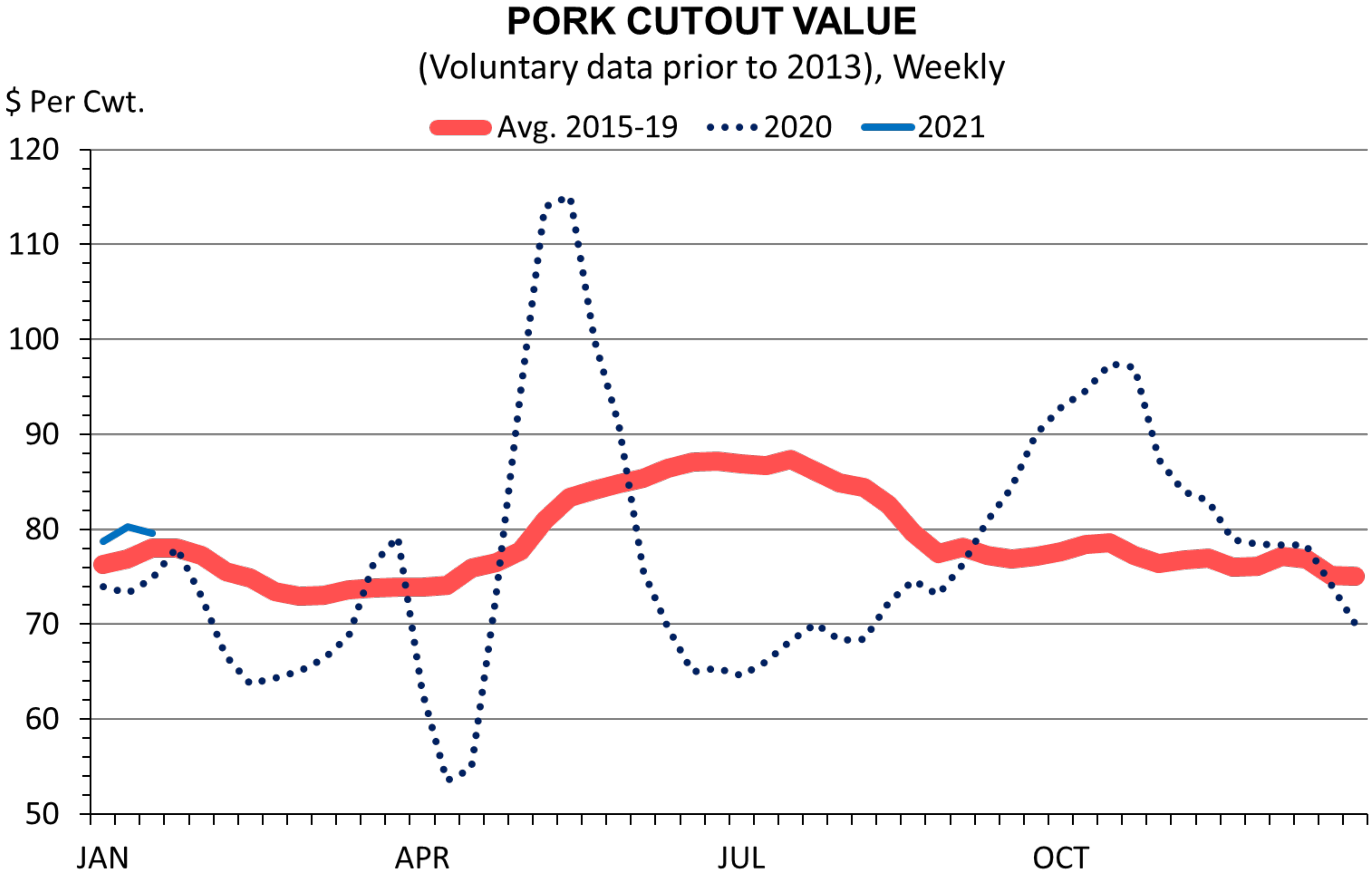
Data Source: USDA-AMS-LPGMN; Compiled by LMIC

NW_LS255 National Direct Feeder Pig Report



Data Source: USDA-AMS-LPGMN; Compiled by LMIC

LM_PK602 National Daily Pork Report FOB Plant - Negotiated Sales - Afternoon

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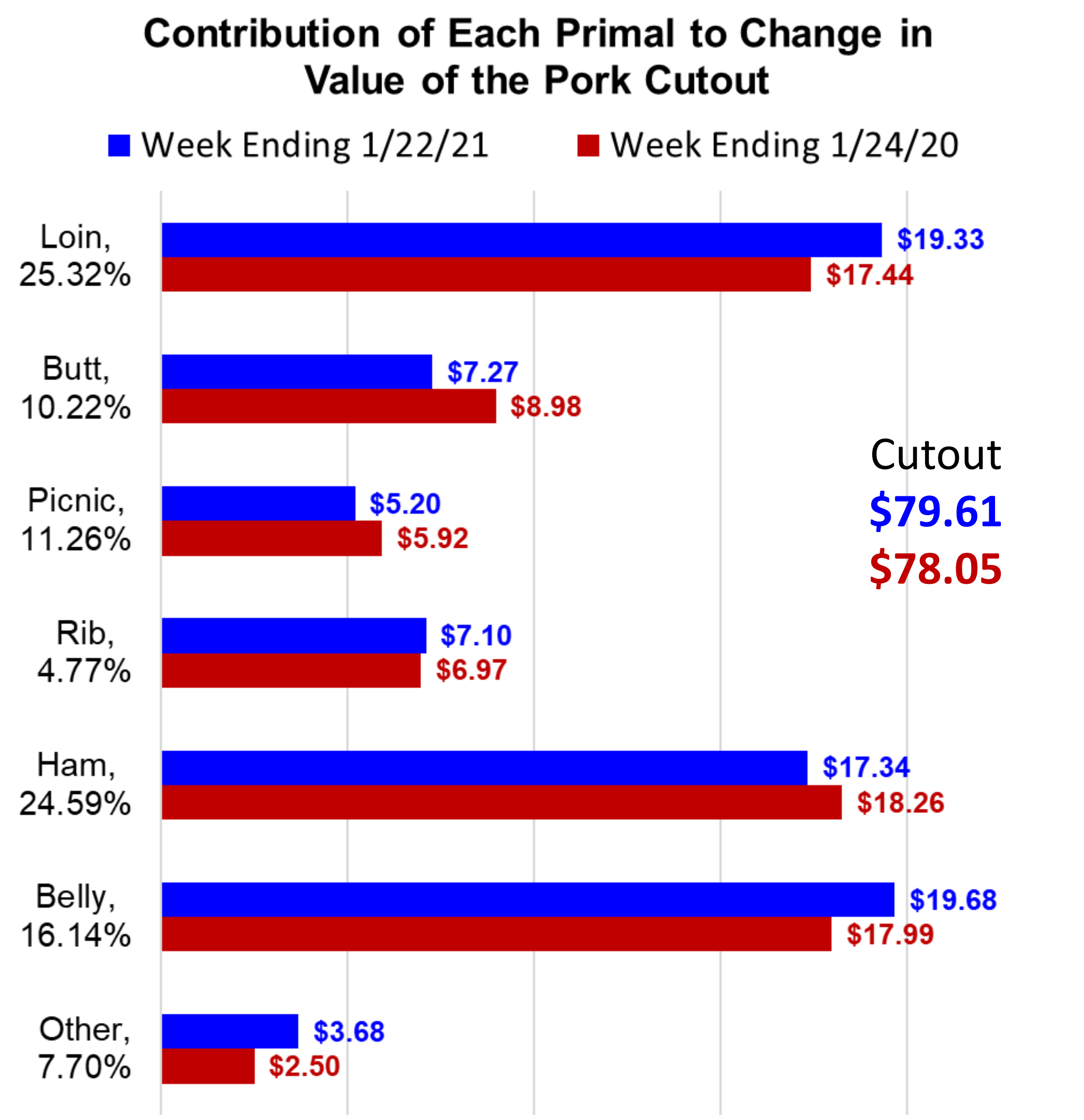

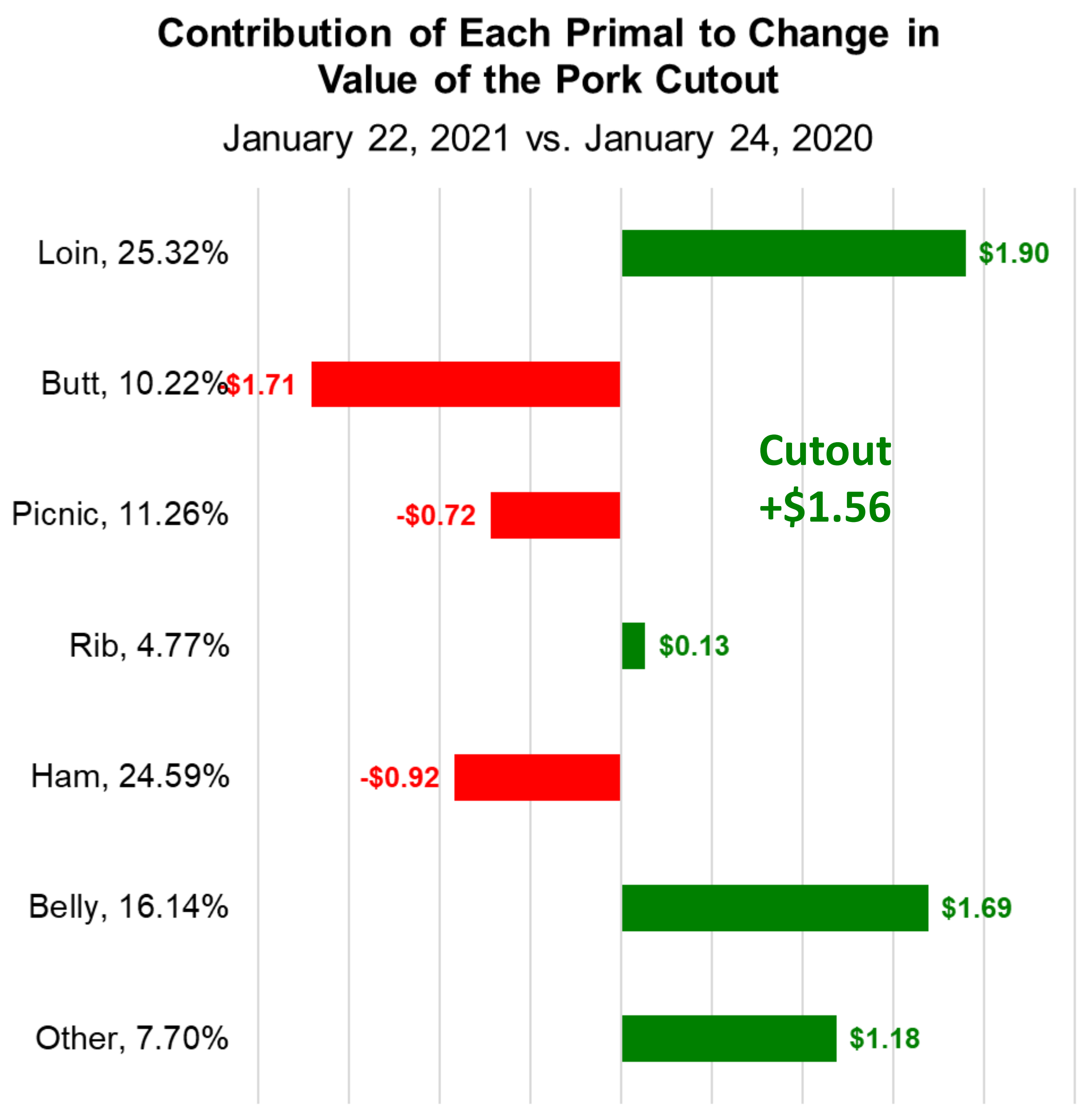

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Data Source: USDA-AMS-LPGMN; Compiled by LMIC

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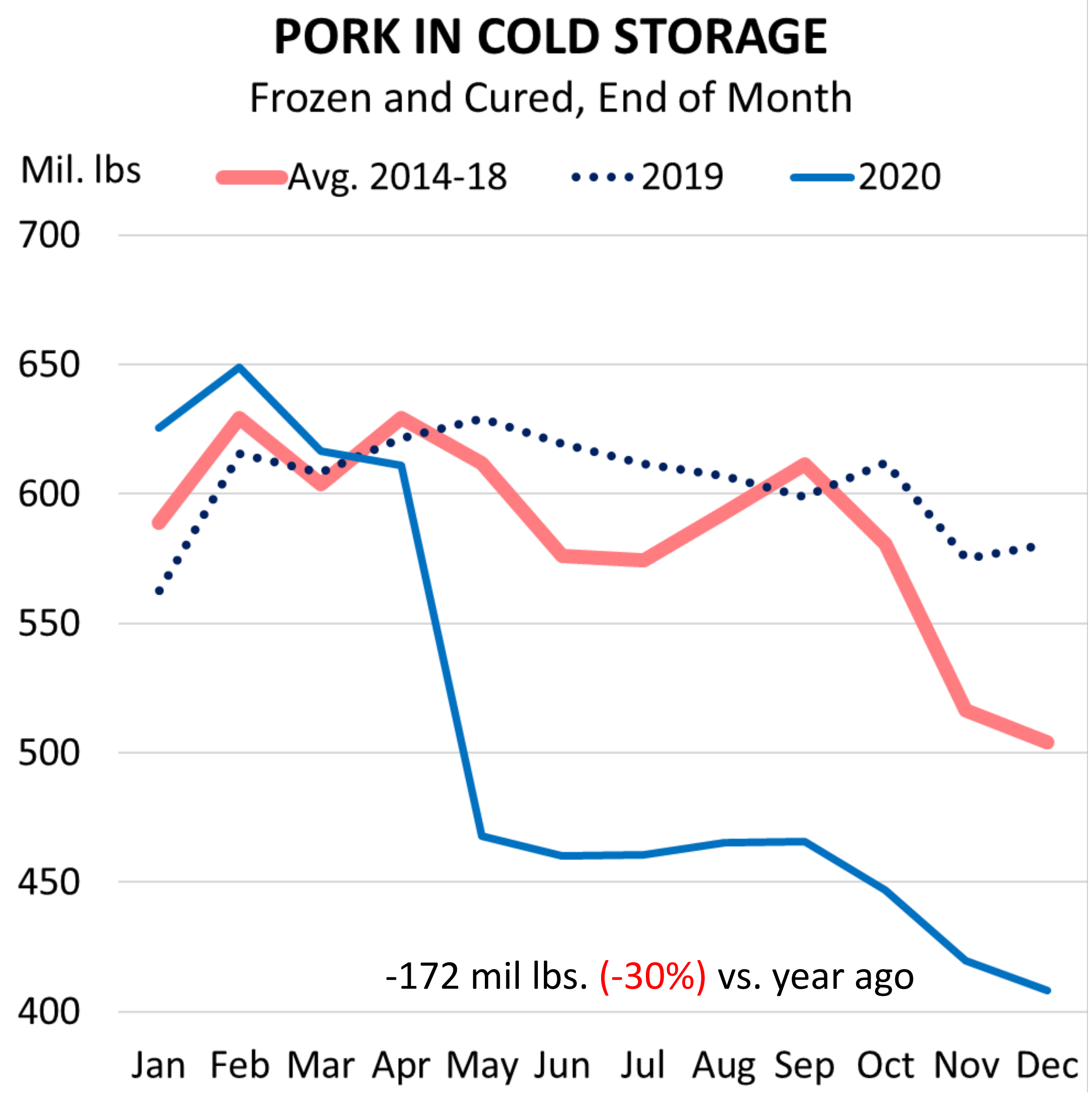
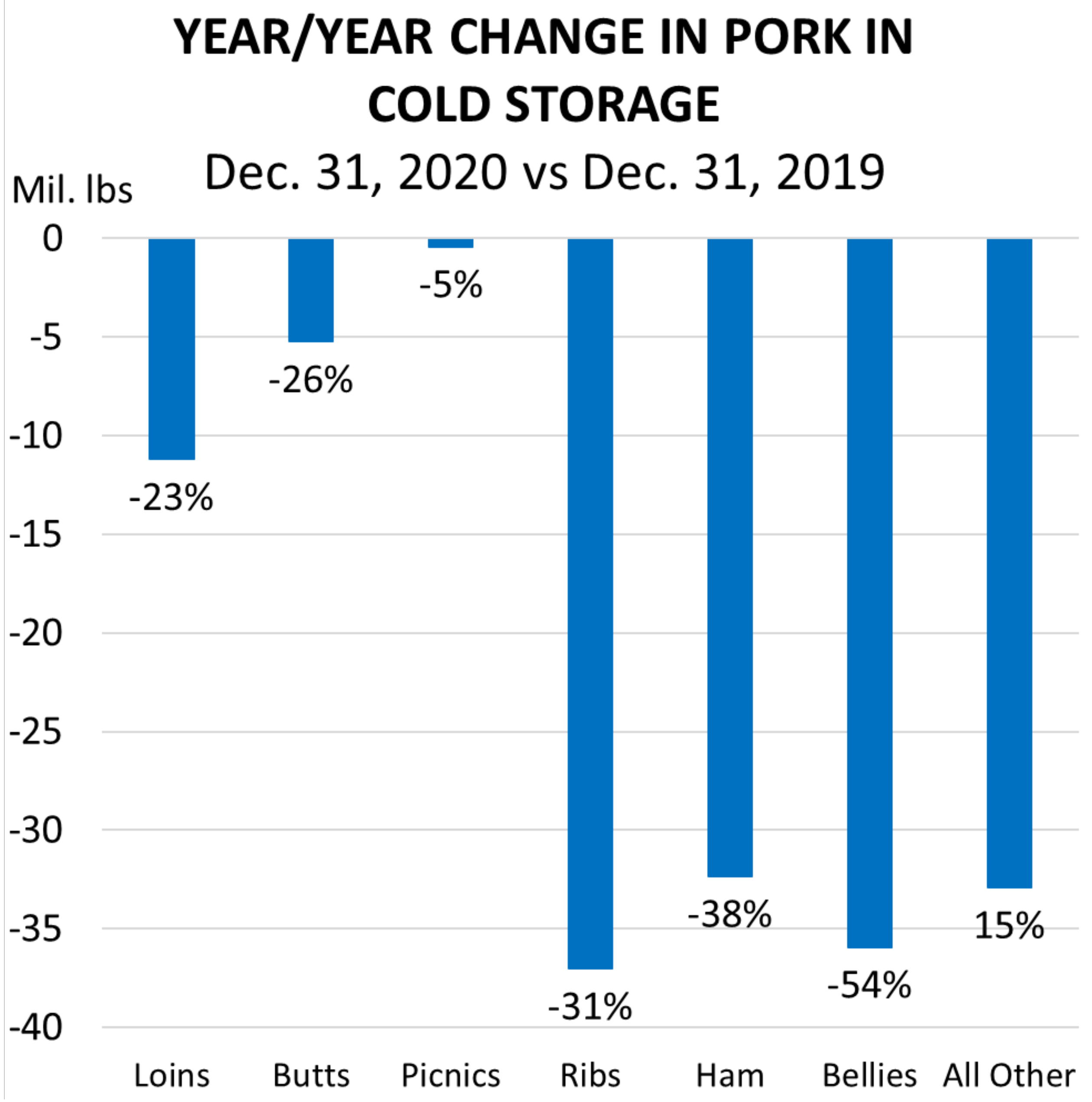


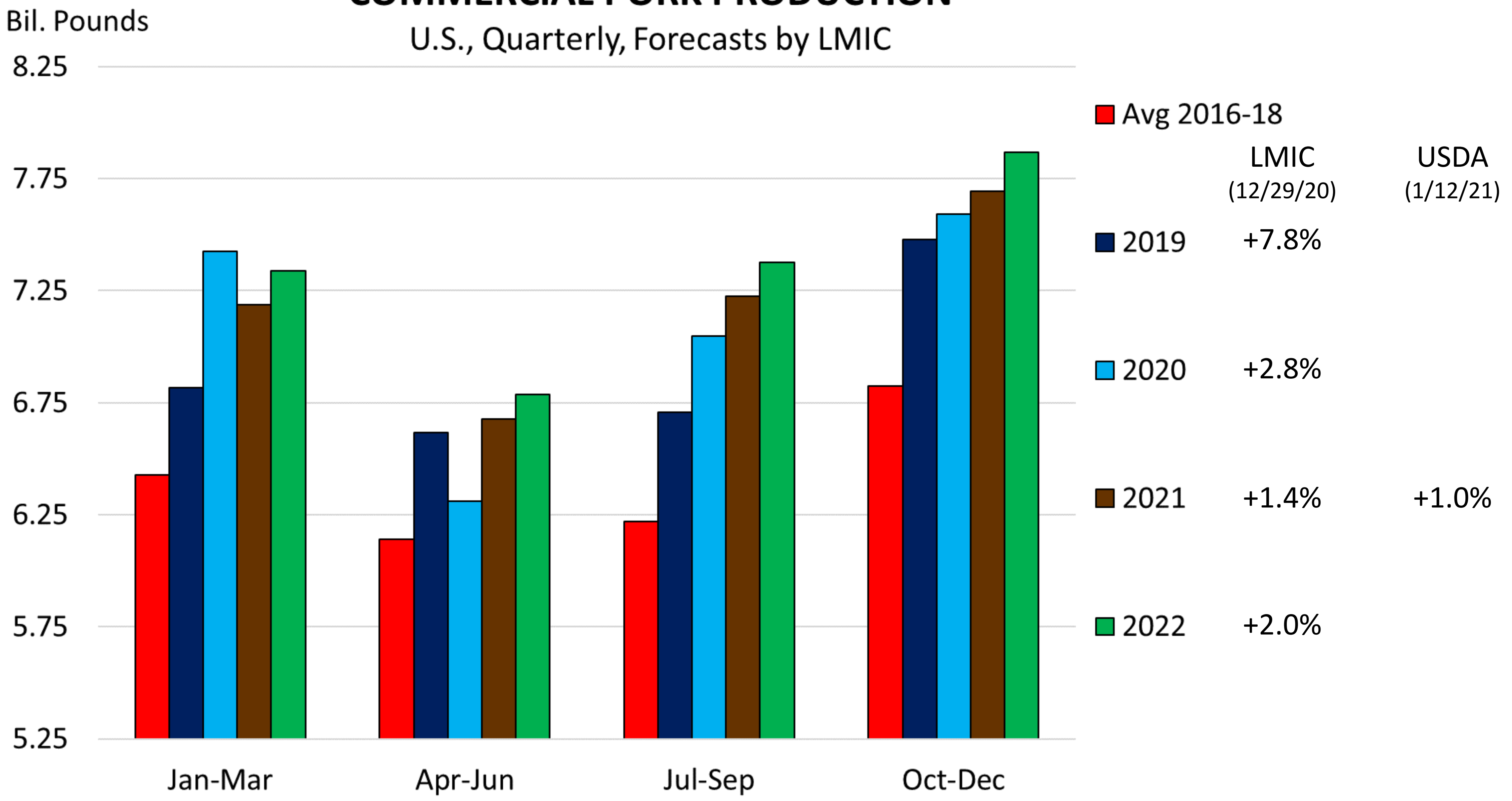


Data Source: USDA-NASS; Compiled by LMIC

Cold Storage

COMMERCIAL PORK PRODUCTION

U.S., Quarterly, Forecasts by LMIC



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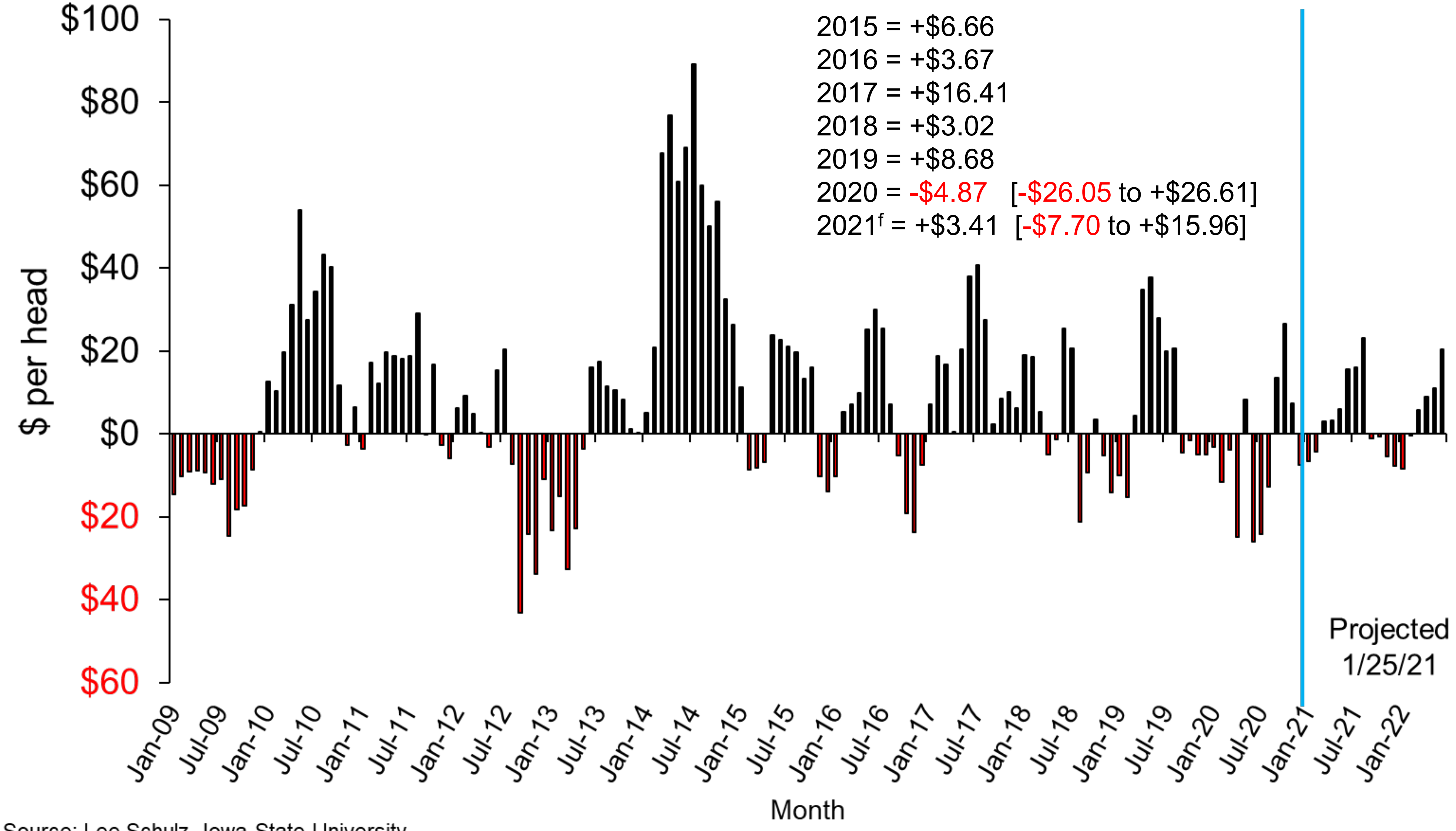
Data Source: USDA-OCE, AMS, FSA, ERS, FAS; LMIC

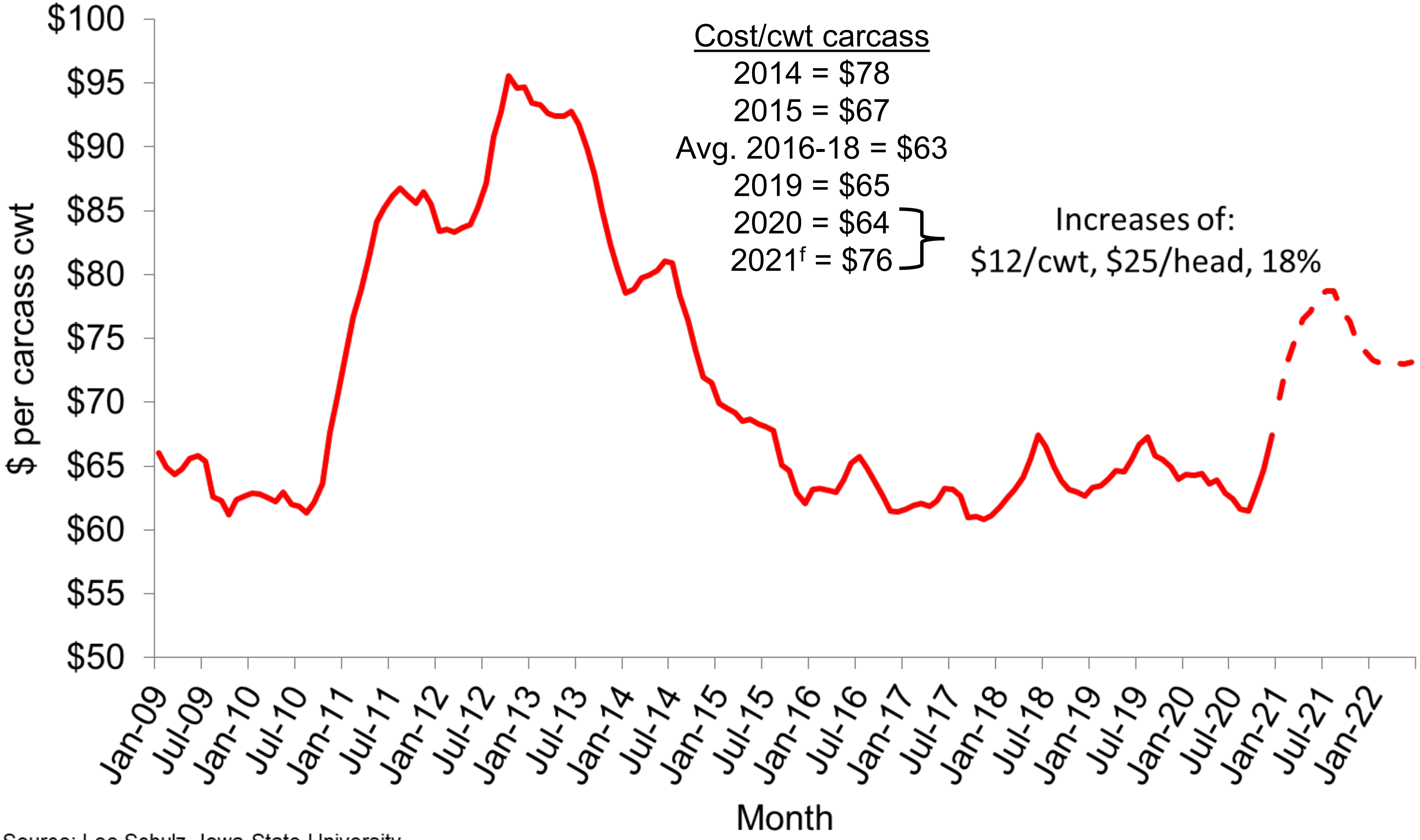
World Agricultural Supply and Demand Estimates

Estimated Returns to Farrow to Finish, Iowa
Past and Projected with Basis Adjusted Futures



Source: Lee Schulz, Iowa State University

BREAKEVEN—FARROW-TO-FINISH, IOWA



Source: Lee Schulz, Iowa State University

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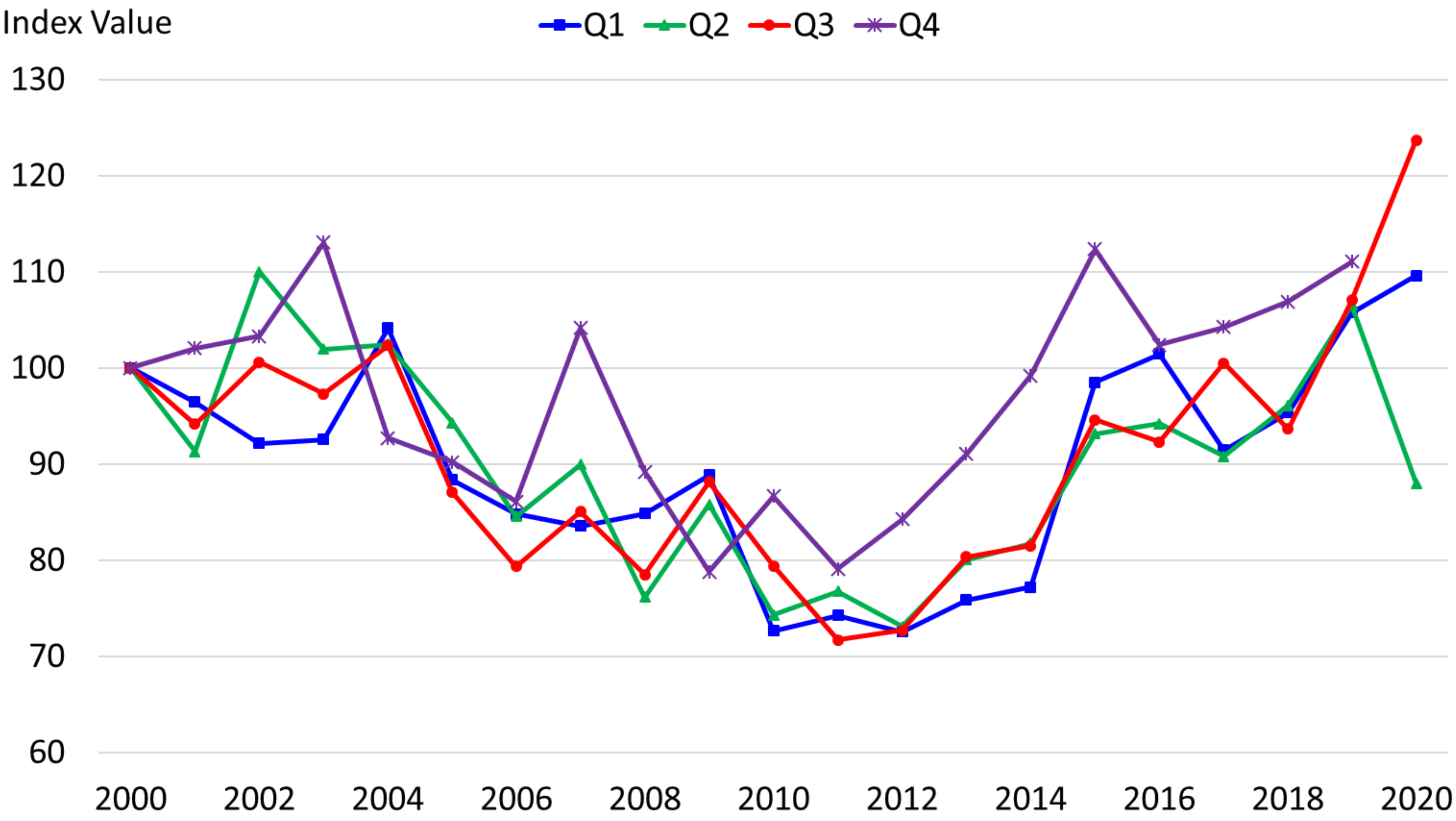
RETAIL PORK DEMAND INDEX

Quarterly, Using CPI 2000=100



2020

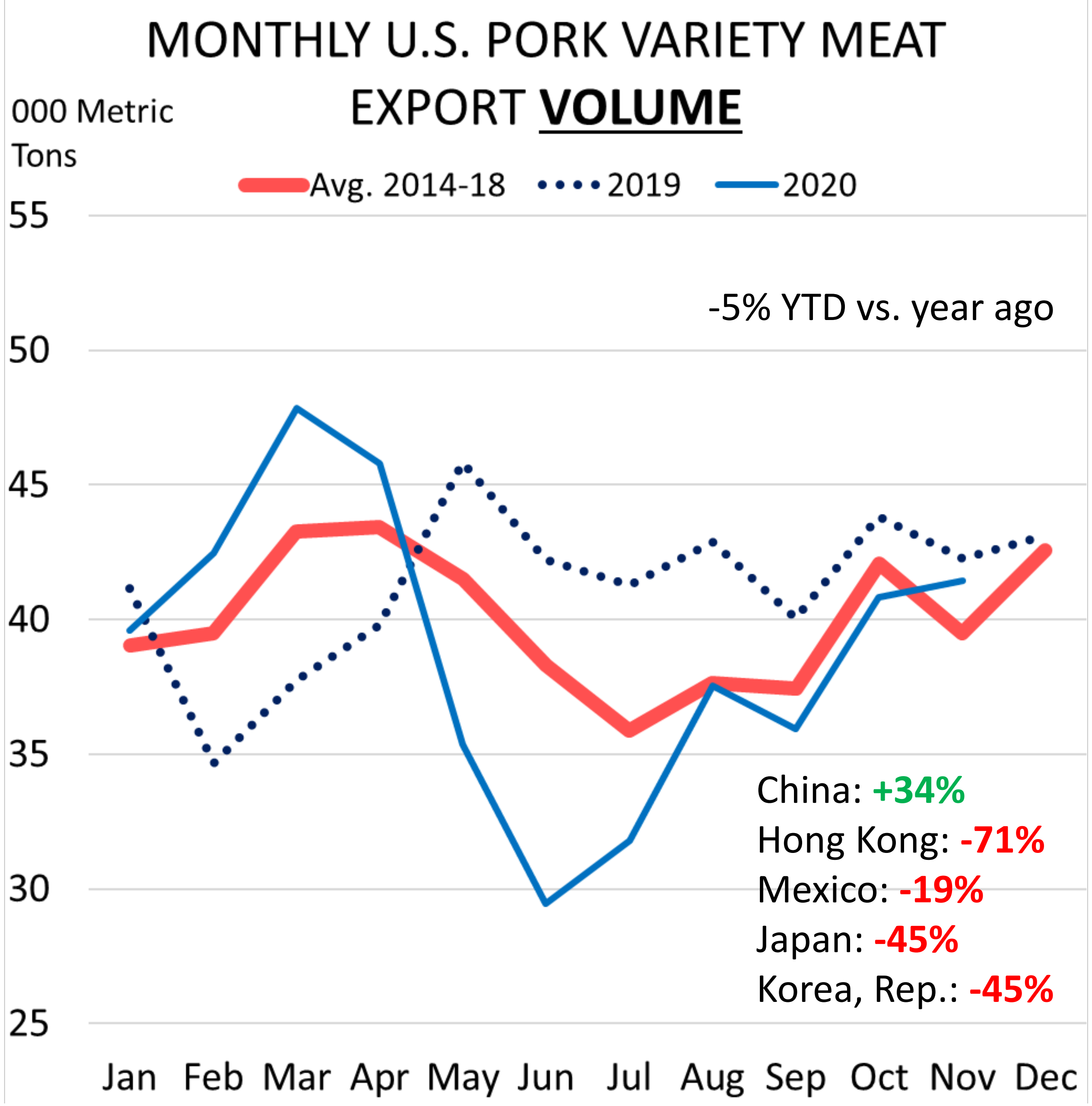
Q1: +4%

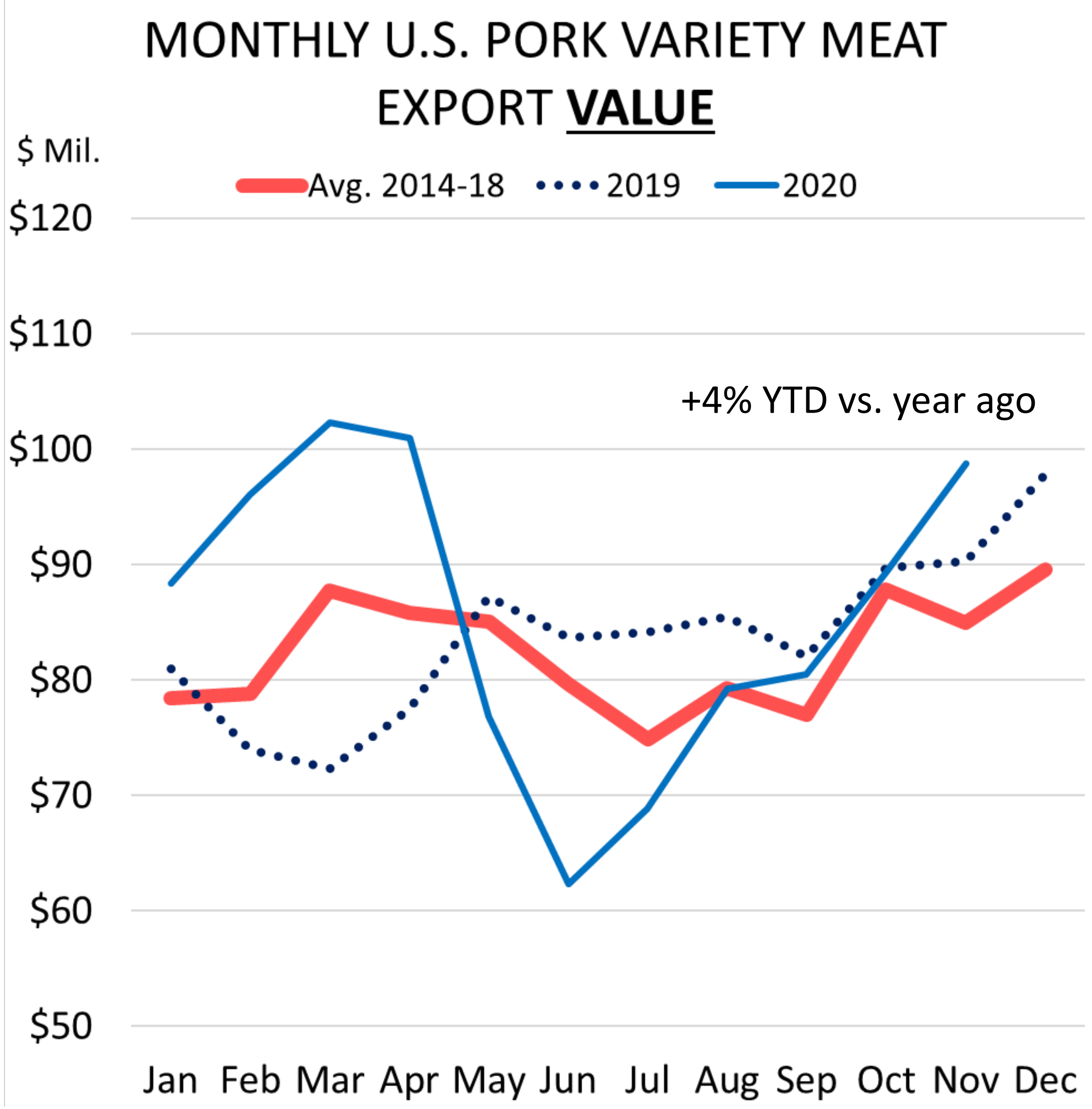
Q2: **-17%**

Q3: +16%

Data Source: BLS, ESDA-ERS; Compiled & Analysis by LMIC

Livestock Marketing Information Center





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Data Source: USDA-FAS; Compiled by USMEF

USDA Foreign Agricultural Service's Global Agricultural Trade System

Leading Markets for U.S. Pork Muscle Cut Exports

January - November 2020

Year-To-Date Quantity

Country/Region	Nov-20/Nov-19 Percent	Year-to-Date ('20 vs '19) Metric Tons	Year-to-Date ('20 vs '19) Percent
Mexico	15%	-2,406	0%
Japan	7%	17,452	5%
Canada	-1%	12,676	7%
Korea, Republic of	-39%	-43,107	-24%
China	-1%	384,128	130%
Hong Kong	-56%	2,692	17%
Australia	-37%	-20,626	-22%
Philippines	37%	4,091	15%
Vietnam	161%	17,804	520%
Taiwan	56%	4,670	38%
Colombia	-29%	-34,384	-38%
Honduras	23%	3,181	11%
Dominican Republic	71%	4,346	14%
Chile	106%	3,638	12%
Panama	-29%	-939	-8%
Other	9%	-1,813	-2%
Total	**0%**	**351,403**	**18%**

Year-To-Date Value

Country/Region	Nov-20/Nov-19 Percent	Year-to-Date ('20 vs '19) $ Mil.	Year-to-Date ('20 vs '19) Percent
Mexico	-3%	-$83.3	-9%
Japan	7%	$91.0	7%
Canada	4%	$49.9	7%
Korea, Republic of	-37%	-$122.7	-24%
China	-9%	$881.0	136%
Hong Kong	-37%	$9.0	20%
Australia	-31%	-$32.1	-12%
Philippines	48%	$18.8	28%
Vietnam	163%	$38.4	421%
Taiwan	73%	$13.3	44%
Colombia	-29%	-$76.5	-39%
Honduras	30%	$5.5	9%
Dominican Republic	82%	$9.3	13%
Chile	118%	$10.1	12%
Panama	-35%	-$4.3	-13%
Other	6%	-$7.7	-3%
Total	**-4%**	**$799.7**	**15%**

Data Source: USDA-FAS; Compiled by USMEF

USDA Foreign Agricultural Service's Global Agricultural Trade System

FRESH, CHILLED, OR FROZEN MUSCLE CUTS OF **PORK** OUTSTANDING EXPORT SALES AND EXPORTS BY COUNTRY, 2020 vs. 2019

1000 METRIC TONS as of January 14, 2021

	OUTSTANDING/CARRYOVER SALES				ACCUMULATED EXPORTS				TOTAL COMMITMENTS			
DESTINATION	THIS WEEK	YR AGO	Diff	%	THIS WEEK	YR AGO	Diff	%	THIS WEEK	YR AGO	Diff	%
All	**343.4**	**490.3**	**-147**	**-30%**	**70.8**	**87.8**	**-17**	**-19%**	**414.2**	**578.1**	**-164**	**-28%**
Mexico	99.1	74.5	25	33%	20.2	24.3	-4	-17%	119.3	98.8	21	21%
Japan	24.2	43.1	-19	-44%	8.3	10.1	-2	-18%	32.5	53.2	-21	-39%
S. Korea	30.6	45.3	-15	-32%	6.2	6.4	0	-3%	36.8	51.7	-15	-29%
Canada	23.2	15.2	8	53%	3.4	5.0	-2	-32%	26.6	20.2	6	32%
China	88.4	268.8	-180	-67%	22.1	33.4	-11	-34%	110.5	302.2	-192	-63%
Hong Kong	0.4	2.0	-2	-80%	0.3	0.4	0	-25%	0.7	2.4	-2	-71%
Australia	22.1	17.7	4	25%	2.4	3.1	-1	-23%	24.5	20.8	4	18%
All Other	55.4	23.7	32	134%	7.9	5.1	3	55%	63.3	28.8	34	120%

Data Source: USDA-FAS

U.S. Export Sales

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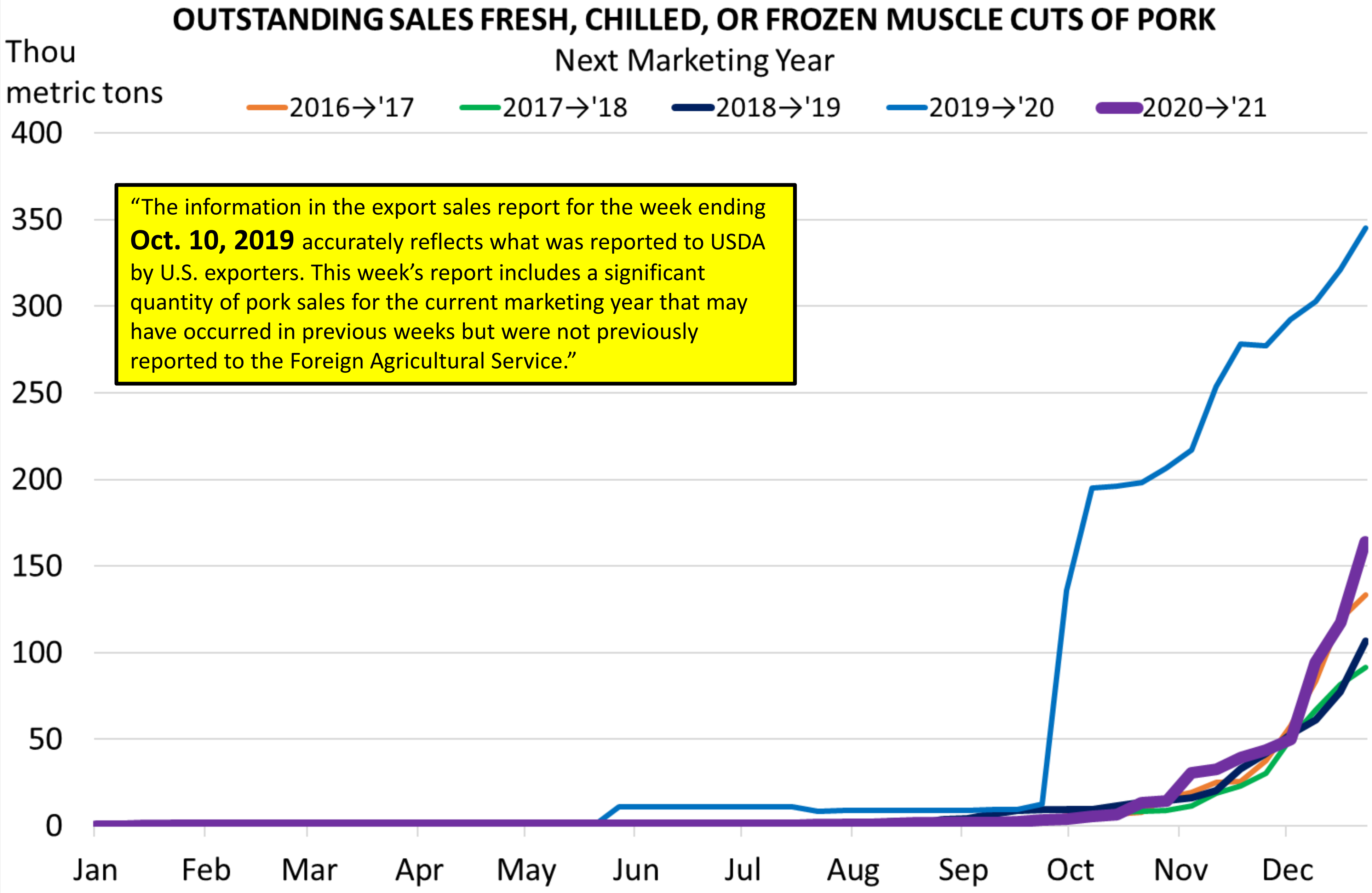

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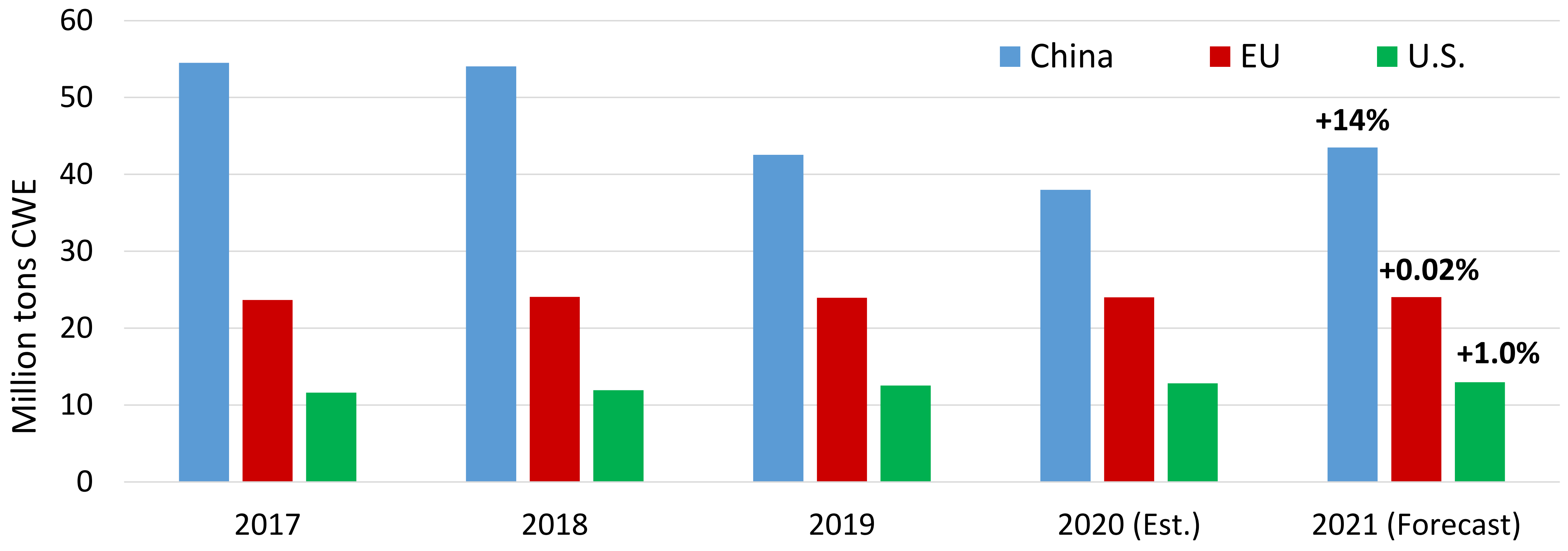
Data Source: USDA-FAS

U.S. Export Sales

United States Department of Agriculture
Foreign Agricultural Service
January 12, 2021

Livestock and Poultry: World Markets and Trade

Pork Production Growth Rebounds in China, Slows in U.S. and EU



Data Source: USDA-FAS-PSD

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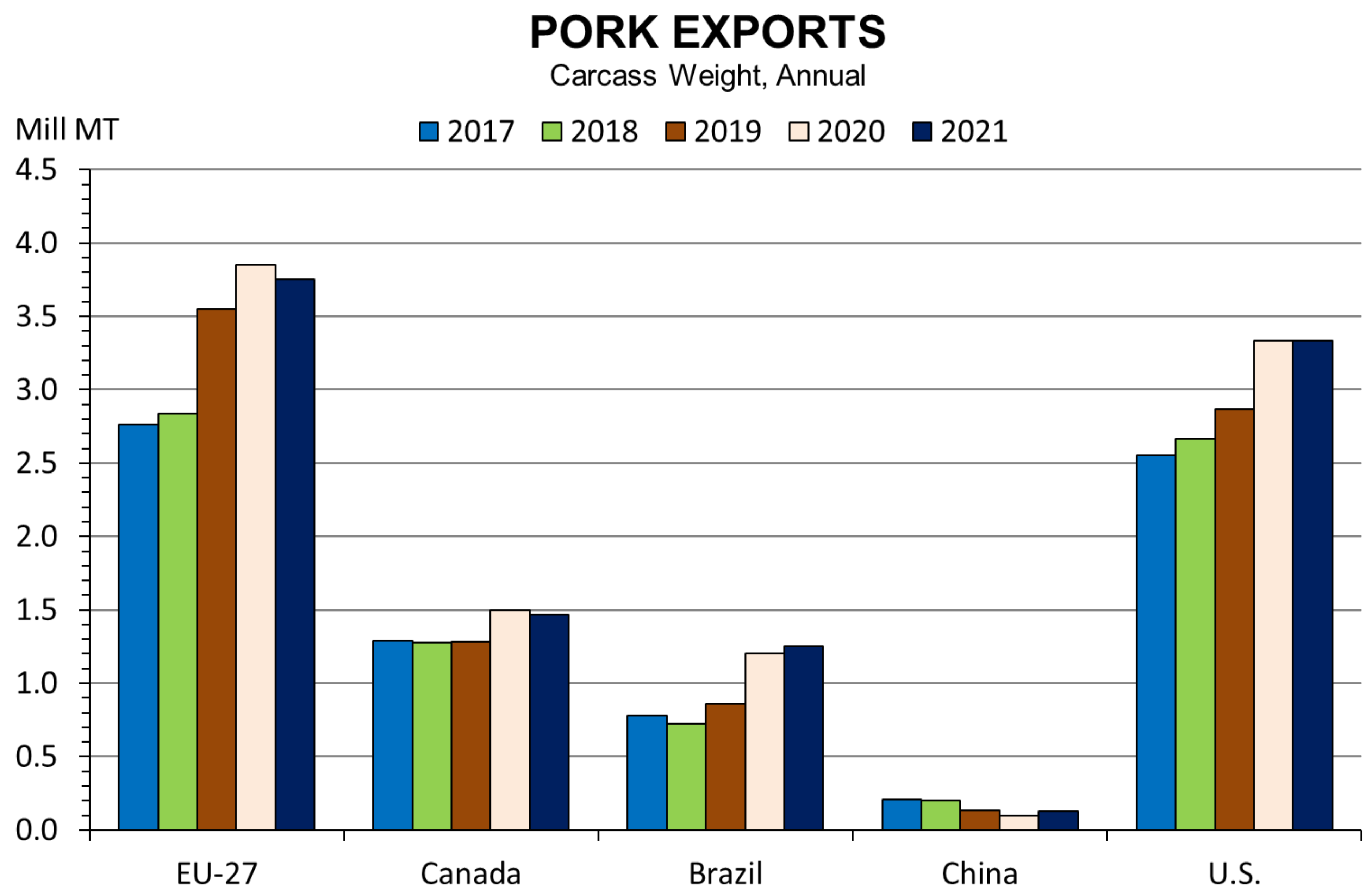

Data Source: USDA-FAS-PSD, Compiled by LMIC

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01/13/21

Websites to note:

- WallacesFarmer Serving: IA https://www.farmprogress.com/author/--195
  - Monthly livestock market outlook and news.
- Ag Decision Maker www.extension.iastate.edu/agdm/
  - Decision-oriented agricultural business "toolbox" designed for farmers, lenders, farm managers, agriculture instructors, and others.
- ISU Estimated Livestock Returns www2.econ.iastate.edu/estimated-returns/
  - Monthly barometer of cattle and hog production costs and returns.
- ISU Livestock Crush Margins www2.econ.iastate.edu/margins/
  - Weekly cattle and hog crush margins and tracked changes serving as an indicator of risk management opportunities.