

# MARKET NEWSLETTER

THE LEADER IN CUSTOMER SOLUTIONS 

AUGUST 29, 2014

## MARKET OVERVIEW:

What a difference a month makes. After experiencing record breaking markets over the summer, the markets have dropped sharply during August. It seemed the Russian ban on buying U.S. pork was the catalyst, but there were other factors in play. The prospect of increased hog supply, heavier hogs being marketed and weaker demand may have played a part as the consumer reacted to the higher prices on the supermarket shelf.



The hog producers marketing sentiment has shifted considerably. During the summer hog producers benefited by holding their hogs longer, putting more weight on their animals before marketing them on the very high market. Hogs averaged 5% heavier than the year prior. This strategy contributed to tight hog supplies this summer.

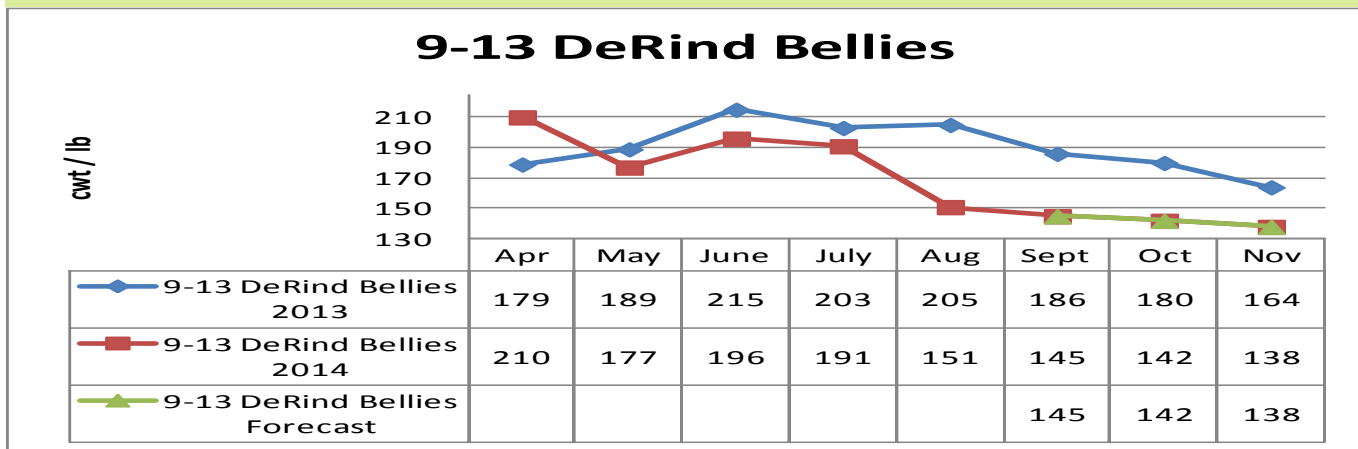
When the market turned down it benefited the hog producers to accelerate the marketing of their hogs to keep ahead of the falling market, thereby adding to the increasing hog supply. This hog producer marketing strategy played a part in the market run up and consequently its rapid decline.

The grain crop of 2014 appears to be historically high, which will keep grain prices low. This should facilitate hog herd expansion, and ultimately more plentiful hog supply, which should pressure markets lower.

It appears the immediate impact of the PEDv has faded but the new question is to what degree new cases of PEDv emerge as colder weather develops, since PED is a cold loving virus. This remains an unknown going forward, but will be watched very closely.

## Bellies

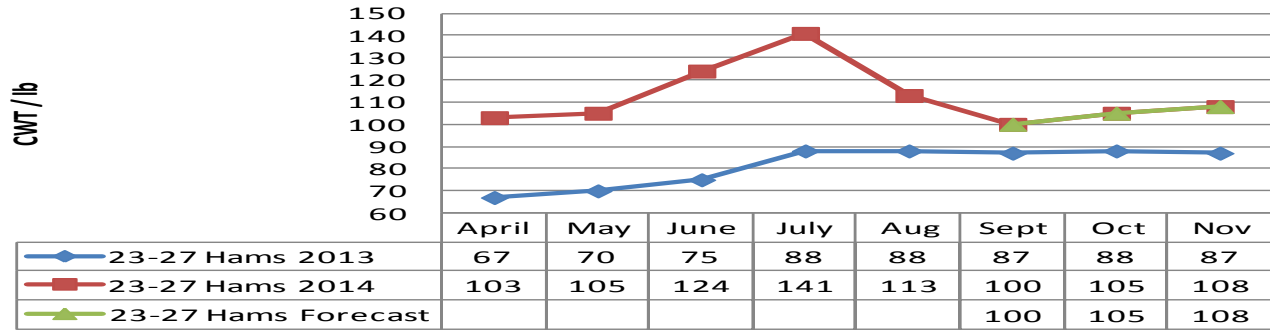
As of July 31, cold storage facilities held 65 MM pounds of bellies, more than double last year and the 3 year average. Freezer inventories were used as a hedge against the threat of PEDv. Surprisingly, there was a freezer minimal draw down over the summer. Against this backdrop of high freezer inventories, the bellie market has dropped dramatically during the past month and is forecast to remain soft through year end.



## Hams

After trading in the \$1.40's during July, the ham market collapsed during August. Currently, it seems to have stabilized in the \$0.90's. Potentially the market could lift into the \$1.00 to \$1.10 range, as holiday ham production is ramped up.

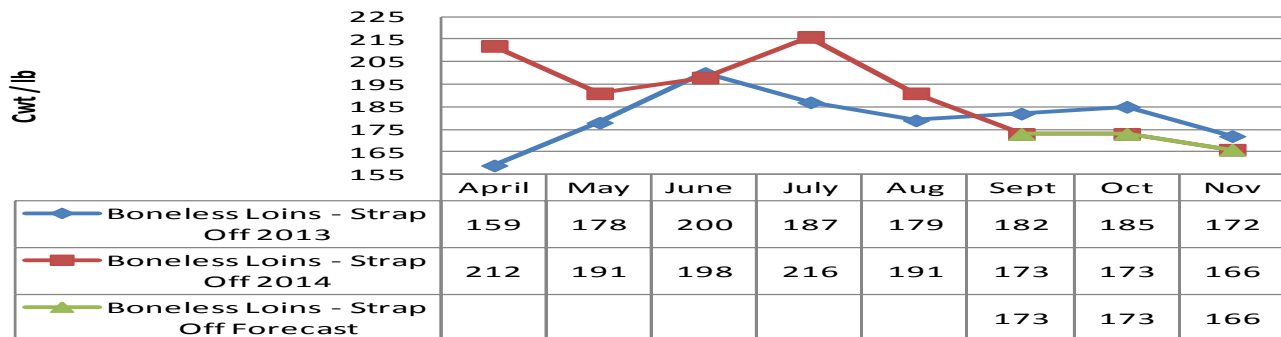
### 23-27 Hams



## Boneless Loins

Look for Boneless Loins to ease into the \$1.70's during September and October and then into the \$1.60's as we move into November.

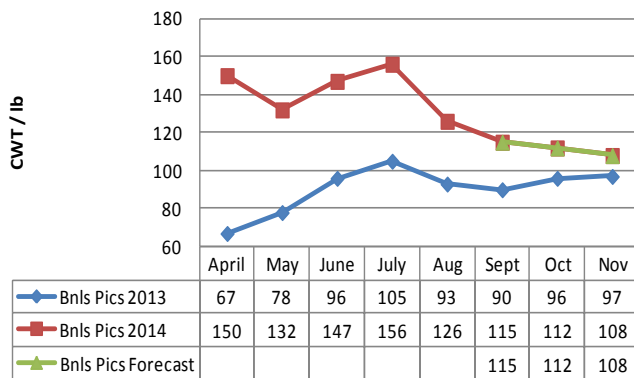
### Boneless Loins Strap Off



## Boneless Picnics / Lean Pork Trim

These processing materials markets have significantly decreased along with the rest of the hog complex. Look for these markets to remain at relatively moderate levels through the fall compared to the recent past.

### Boneless Picnics



### 72% Pork Trim

