

TO: MEAT BUYERS
FROM: TOPCO MEAT DEPARTMENT

BUYER'S NOTES for Wednesday August 15, 2012

***Wholesale pork prices continue to trade in a steady range after rebounding from their post-4th of July highs. The pork cutout has traded mostly between \$90-94/cwt over the last month, but is likely to face significant weakness moving forward. From a supply perspective, we have likely already achieved a seasonal bottom. Last week's hog slaughter was estimated at 2.031 million head, up slightly from levels seen over the last couple weeks. As you can see from the graph below depicting per-capita weekly pork production, seasonal trends point overwhelmingly higher in the coming months. Pork production has been lower than expected over the last couple months. This has been due to a couple primary factors. Hog weights have dropped significantly since the middle of May due to a tremendously hot summer and soaring feed costs. Growth rates slowed in light of the hotter weather, which has pushed marketings back. It is our suspicion that many of the hogs that were expected to come to market in July and August have been pushed back into the September/October timeframe, which is going to pressure prices. The pork cutout, currently priced at \$93.03/cwt, is expected to fall back into the low \$80's/cwt by late next month and into the high \$70's/cwt by early-mid October. Industry optimism appears to be focused on another round of Chinese purchases, which bailed the industry out from higher supplies last year. However, given the significant year-over-year declines in Chinese pork prices, which has kept their purchases in check throughout much of this year, we do not expect a significant increase in export volume. The most significant weakness is expected to be seen in the bellies, loins (after a small push higher for Labor Day), and trimmings.

