

Margins continued to improve over the first half of February on weaker feed prices as hogs traded steady with an initial drop early in the month followed by a rally in response to a bullish export report. USDA reported pork export sales for the week ending February 8 at 71,900 MT, up 32,700 or 83% from the previous week and well above the prior four-week average. In addition, weekly shipments at 75,900 MT were up 34,100 or 82% from the prior week which would have been a new weekly record apart from periods where USDA reported consolidated export data from several weeks after non reporting. It later was reported that the export figure was in error, although the corrected figure has yet to be reported. The pork cutout has held up well although has recently declined about 5% after hitting \$90/cwt. in late January with weakness in bellies accounting for around 60% of that drop. Both the belly and ham primal will be key to hog values in spring and it will be interesting to see how both hold up with an elevated slaughter and early Easter this year. Hog slaughter has averaged 3.7% above the previous year since December 1 compared to the USDA December Hogs & Pigs report which pegged the inventory of hogs over 120 pounds up 1.5% from the year before. A continuation of strong export sales and shipments will be needed to support pork cutout values and in turn the negotiated cash hog market. In the February WASDE report, USDA raised its 2024 pork export forecast to 7.08 billion pounds, up 3.8% from last year with per capita availability up 1% from last year. In addition, the USDA Outlook Forum projects corn ending stocks at a 20-year high. Our clients have been scaling into new coverage following recent hog strength in deferred marketing periods with flexible strategies to allow for further margin improvement.



The Hog Margin calculation assumes that 73 lbs of soybean meal and 5.3 bushels of corn are required to produce 100 lean hog lbs. Additional assumed costs include \$44 per cwt for other feed and non-feed expenses.

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