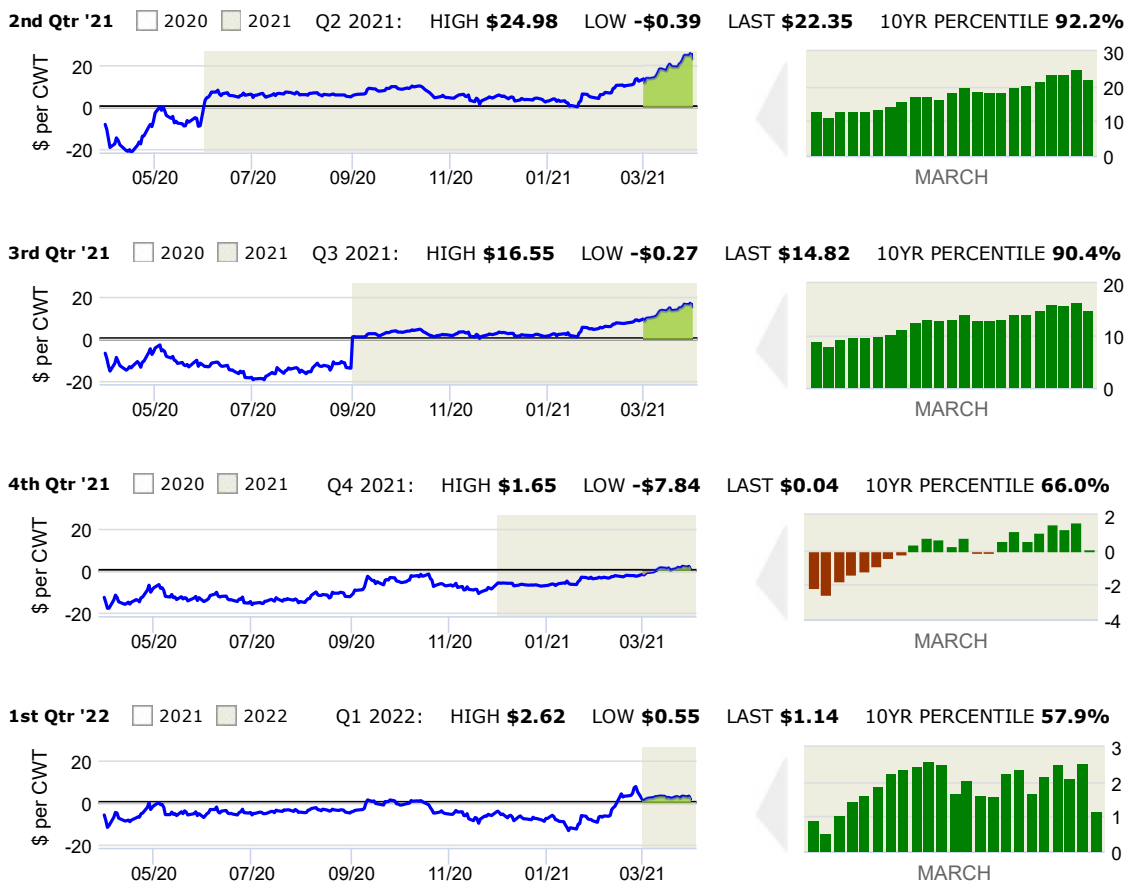


# Hog Margin Watch: March



Margins were mixed over the last half of March, improving significantly in nearby marketing periods while weakening further out on the forward curve. The hog market continues to draw support from strong performance in the cutout along with a bullish Hogs and Pigs report from USDA. The quarterly inventory data for March 1st revealed all hogs and pigs at 74.773 million head, down 1.406 million or 1.85% from last year when the market was anticipating essentially no change in the hog herd year-over-year. The figure was also below the range of industry estimates at 98.5% to 101.3% of 2020 and represented the first year-over-year decline since 2014. The breeding herd at 6.215 million head was down 160,000 from last year and the smallest since Q1 2018. The 2.5% year-over-year decline was also below the average trade estimate of a 1.1% drop from 2020 and clearly reflects an aggressive sow cull last year. The pandemic-induced decline in slaughter capacity last spring led to widespread euthanasia and likely caused producers to be more cautious with their breeding inventory through the remainder of the year. By weight class, the inventory figures were down between 1.2% to 2.5% from 2020, indicating that spot supplies will remain tight through the spring while farrowing intentions for the spring and summer suggest declines of 2.5% and 4.2%, respectively from 2020. Meanwhile, a bullish USDA Prospective Plantings report and quarterly Grain Stocks sent corn limit up at the end of the month with a strong rally in soybean meal as well. Our clients continue positioning hog and pork hedges to provide greater upside flexibility while waiting to extend margin protection in deferred marketing periods.



The Hog Margin calculation assumes that 73 lbs of soybean meal and 4.87 bushels of corn are required to produce 100 lean hog lbs. Additional assumed costs include \$40 per cwt for other feed and non-feed expenses.

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