

# Hog Margin Watch: March



Margins were steady to slightly weaker over the second half of March as both the hog and feed markets consolidated ahead of key month-end reports but maintained a firm tone. USDA released the March Hogs and Pigs report which showed continued contraction in the industry with less inventory and a lower breeding herd than the market was expecting. USDA reported the total hog inventory as of March 1st at 72.209 million head which was down 2.3% from last year and below the range of pre-report estimates anticipating a decline of 0.5-1.6% from 2021 with an average decline of 1%. The breeding herd was pegged at 6.098 million head which was down 1.9% from last year and the lowest March breeding herd since 2017 which was also at the same level. Like the total hog inventory, the breeding herd figure was also below the range of estimates expecting a 1% decline on average. Market hogs at 66.111 million head were down 2.4% or 1.607 million from last year with each of the four market weight categories all showing declines from a year ago. Pigs per litter from December-February remained essentially flat from a year ago at 10.95 when the market on average was expecting a 1% increase. The number of pigs per litter has been flat for the past two years as disease pressures have clearly impacted productivity, and this will add to forward supply uncertainty with a declining breeding stock. USDA meanwhile reported prospective corn plantings at 89.5 million acres, down 4% from last year with soybean acres of 91 million up 4% from 2021. If realized, this would only be the third time in history where soybean acreage has exceeded corn and will add to what is already a tight domestic and world feed grain balance sheet. Our clients have benefited from maintaining upside flexibility in hog hedges while also having strong feed coverage in margin management strategies.



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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