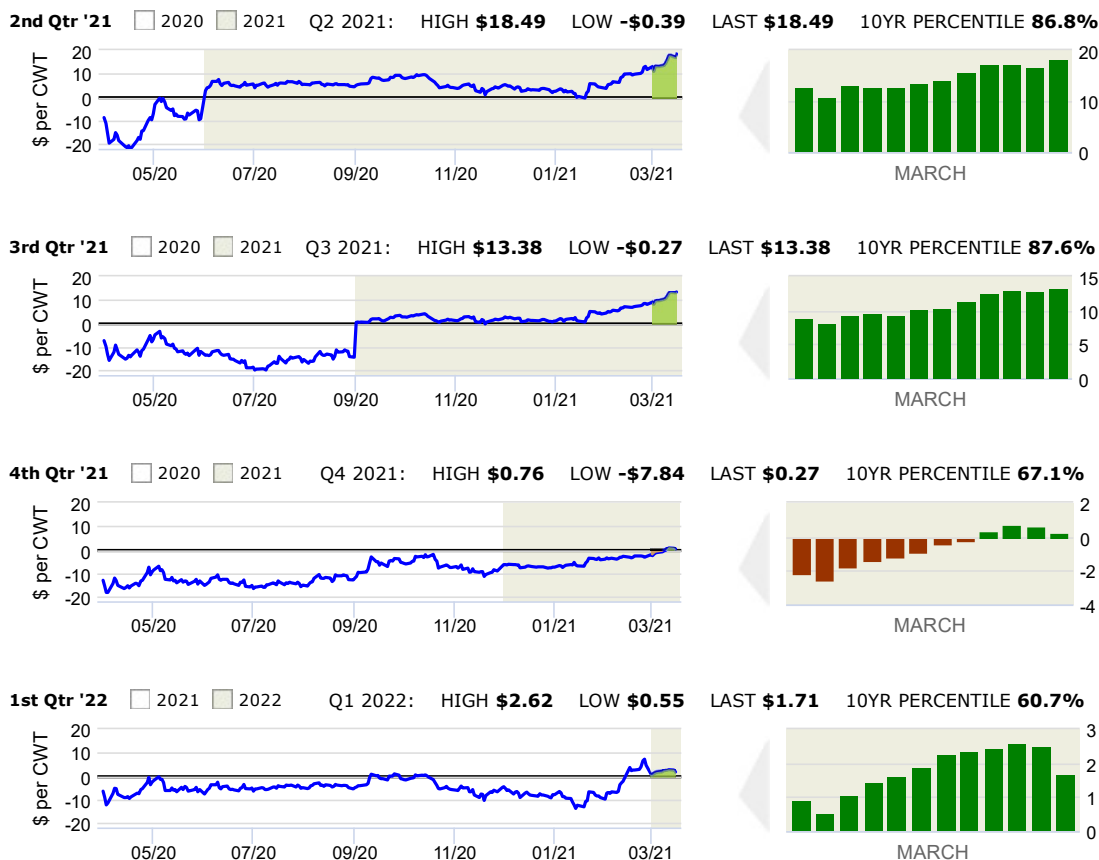


Hog Margin Watch: March



Margins improved further over the first half of March on a continuation of higher hog prices against steady feed costs from spot to deferred marketing periods. Hog futures have experienced ongoing support from strong demand and high pork cutout prices while slaughter has trended below comparable year-ago levels. The comprehensive pork cutout value at \$102/cwt. is up 39.6% from last year and is also 41.5% higher than 2 years ago. National weighted average hog carcass prices meanwhile at \$84.44/cwt. last week are also up 36.5% since the beginning of the year and the highest since July 2017. YTD hog slaughter numbers can be misleading with year-over-year comparisons due to differences in the number of harvest days, but since the week ending December 5th which corresponds to the first week of USDA survey data, hog slaughter has been down 1.2% compared to the same period a year ago. Harvest weights have also held steady despite the year-over-year decline, indicating that producers are very current with their marketing. On the feed side, prices continue to stabilize ahead of the spring planting season as the market seeks further direction from new-crop fundamentals as well as both old and new-crop demand. Recent reports of new ASF variants in China leading to another outbreak has raised questions about forward feed demand, particularly with the possibility that 7-8 million sows may have recently been culled, well above the current U.S. sow herd of 6.3 million. At the same time, a resurgence in restaurant dine-in traffic based on Open Table data as Covid-19 restrictions ease has helped to boost domestic demand. 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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