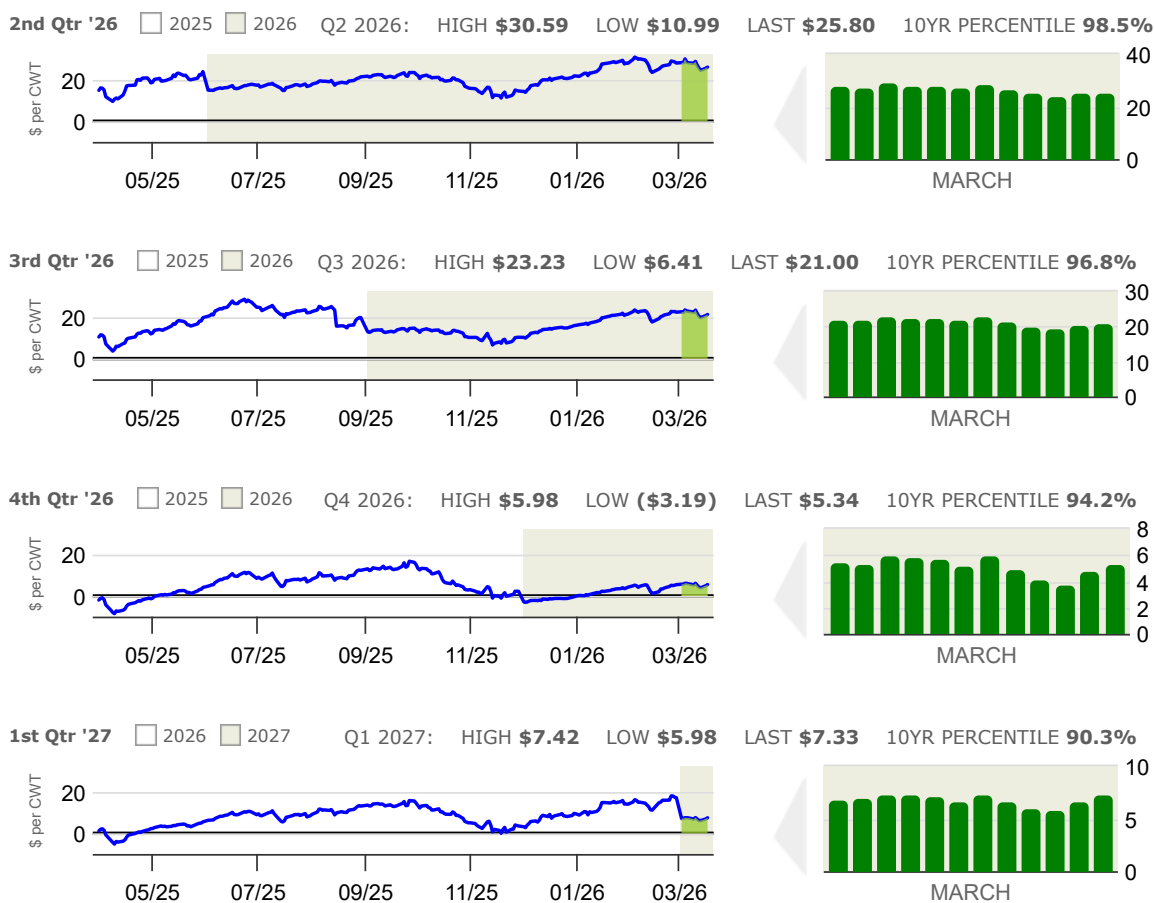


Margins deteriorated over the first half of March from a combination of lower hog prices and steady to slightly higher feed costs. Despite a generally firm cutout recently, lean hog futures may be succumbing to pressure from a heavier slaughter run relative to market expectations. Over the last three weeks, hog slaughter has been about 92,000 head or 1.2% higher than a year ago compared to the inventory data in the December Hogs and Pigs report which indicated that the supply of hogs in the 50–119-pound category were down 0.9% from the prior year. Pork cutout is hovering around \$100/cwt. and has been moving higher over the past month supported by strength in bellies, loins and picnics, despite weakness in ham values. Futures currently price in expectations for a continued increase in cutout values; however, ham prices tend to decline after Easter and food service demand remains a question mark given the recent surge in gas prices due to the war in Iran which may weigh on consumer sentiment through the spring and summer months. Census trade data released by the USDA's ERS estimated January pork exports at 590 million pounds, up 13 million or 2% higher than last year. Mexico was the top export destination with shipments of 259.2 million pounds which were 3.8% higher than a year ago while shipments to Japan of 82.9 million pounds were 22% more than last year and may be contributing strength to the loin primal. The export strength was notable given a 2% decline in U.S. pork production during the month. Our clients remain well positioned with a strong forward delta on both hog and feed hedges following historically strong margin opportunities throughout 2026 into early 2027.



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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