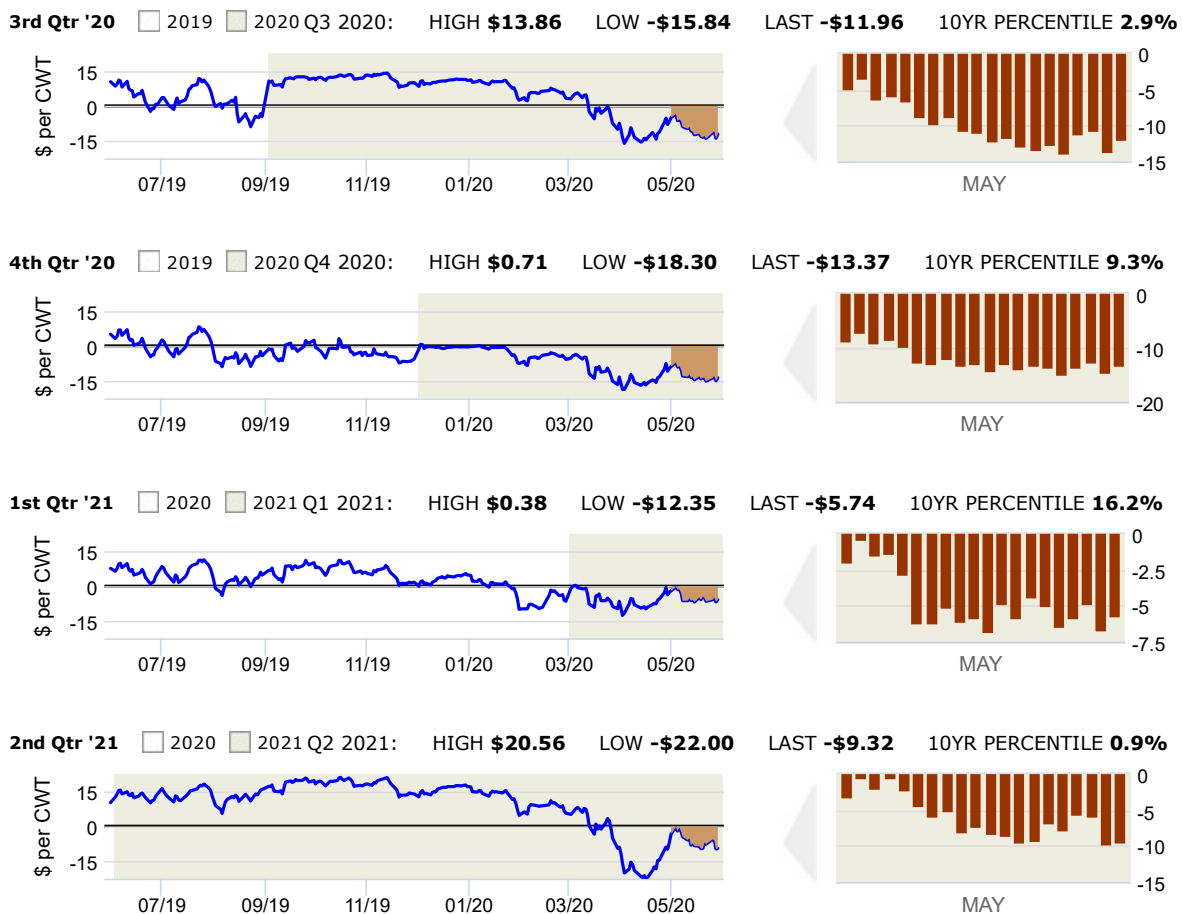


Hog Margin Watch: May



Margins were flat over the second half of May with limited price movement in either the hog or feed markets. On a positive note, slaughter capacity is recovering faster than expected although backlogs remain. For the week ending May 2, the estimated kill at 1.54 million head was down 826,000 head or 35% below a year ago, but that gap from 2019 has narrowed significantly over the past three weeks. Last week's slaughter estimated at 1.966 million head would be down only 165,000 head or 7.7% below a year ago. It is still estimated however that around 2.8 million head have been backed up on farms, and this will be difficult to clear with labor shortages at packing plants as well as processing restrictions now in place. USDA reported total pork supplies in Cold Storage of 614.8 million pounds at the end of April, down 1.1% from last year and 3.5% lower than the five-year average. As a result of increasing hog slaughter and hogs being slaughtered at heavier weights, the pork cutout has backed off from highs in mid-May at \$121.66/cwt. to \$81.04/cwt. recently. Hog weights are now starting to decline in recent slaughter reports though, with producers noting that adjustments to feed rations in order to slow down weight gains are working. On a negative note, China ordered state-owned firms to halt purchases of U.S. soybeans and pork in retaliation over news that Washington would eliminate special U.S. treatment for Hong Kong. This came in response to China's decision to impose a national security law on the region in a highly contentious and unprecedented move seen to limit fundamental political freedoms and civil liberties in the semi-autonomous territory. Our clients continue to monitor adjustment opportunities on existing positions while establishing targets in deferred marketing periods to extend coverage.



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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