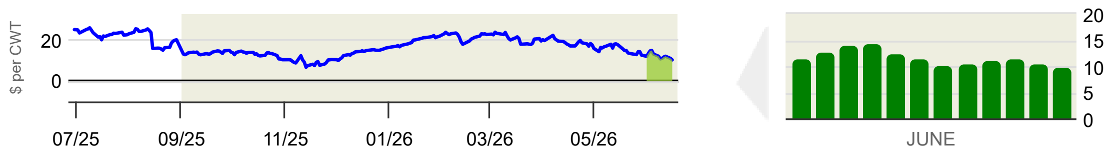
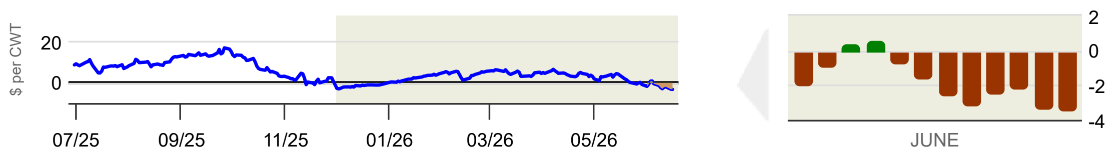
Hog Margin Watch: June

Margins continued to weaken over the first half of June, particularly in deferred quarters, as the sharp drop in hog prices accelerated from May. Hog futures have been pressured by heavy commodity fund liquidation, with managed money having gone from a 90,000-contract net long position in early April to a net short position of almost 25,000 contracts 7 weeks later according to the latest CFTC Commitments of Traders report. Higher hog slaughter and heavier carcass weights are also impacting the pork cutout which in turn is having a negative impact on the CME Lean Hog Index that the hog futures market settles into. Hog slaughter in the week ending June 13 was estimated by USDA at 2.402 million head, up 1.3% from last year with total slaughter over the past two weeks since the Memorial Day holiday up 2.1% from 2025, well above what the March USDA Hogs and Pigs report suggested. The next quarterly update will be released June 25, and the market will be eager to see if there are any revisions to projected supply. The average dressed carcass weight was also up 1.9% last week from a year ago with total pork production increasing 3.2% from the comparable week in 2025 and running 0.4% above last year YTD. While the pork cutout seasonally moves higher into late June to mid-July, it has largely drifted sideways over the past three months, trading just below $100 at $97.12/cwt. at the end of last week. This is down 18.9% from the same week last year, with the belly primal responsible for about half of that decline and the ham primal contributing another 30% with a slowdown in QSR sales impacting demand as consumers tighten their belts and cut back on eating out. Our clients have been lightening hog delta in revenue hedges following the recent sharp break in price and are now targeting areas to strengthen those hedges should prices recover.

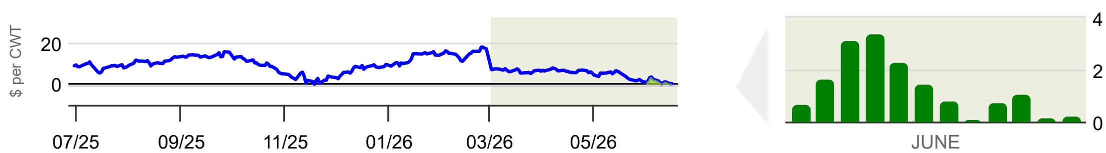
3rd Qtr '26 ☐ 2025 ☐ 2026 Q3 2026: HIGH **$23.23** LOW **$6.41** LAST **$9.93** 10YR PERCENTILE **76.9%**



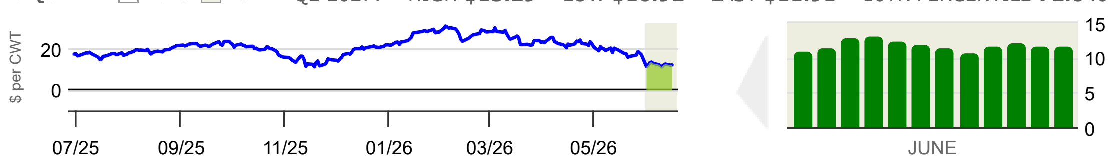
4th Qtr '26 ☐ 2025 ☐ 2026 Q4 2026: HIGH **$6.21** LOW **($3.45)** LAST **($3.45)** 10YR PERCENTILE **74.1%**



1st Qtr '27 ☐ 2026 ☐ 2027 Q1 2027: HIGH **$7.80** LOW **$0.11** LAST **$0.25** 10YR PERCENTILE **75.2%**



2nd Qtr '27 ☐ 2026 ☐ 2027 Q2 2027: HIGH **$13.29** LOW **$10.92** LAST **$11.91** 10YR PERCENTILE **72.0%**



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.

Commodity & Ingredient Hedging, LLC

120 South La Salle St, Suite 2200 ▪ Chicago, IL 60603 ▪ 1.866.299.9333