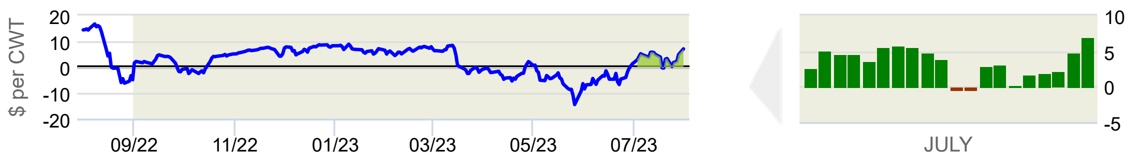
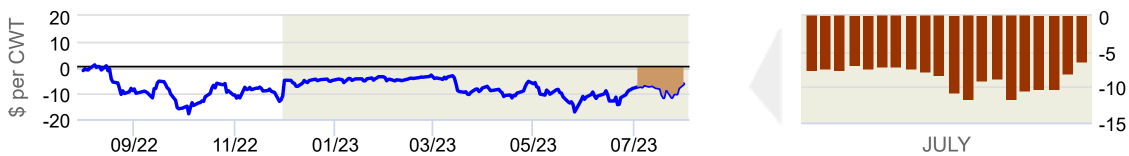
Hog Margin Watch: July

Margins strengthened slightly over the last half of July as hog prices continued to firm in nearby expirations while the feed markets succumbed to renewed weakness following recent rainfall and forecasts for continued precipitation across a large swath of the Corn Belt currently stricken with drought. The spot hog market remains very tight which has supported both cash and cutout recently and is helping propel nearby August lean hog futures back towards previous contract highs. USDA released the monthly Cold Storage report which featured a large drawdown in June pork inventories. Supplies of pork stocks totaled 490.2 million pounds at the end of June, down 7.8% from May and 9.1% below last year. The month-over-month decline was larger than the average seasonal decline of 3.9% over the past five years, and the year-over-year decline also exceeded the previous five-year average of 6.5%. Belly inventories were down 14.5% from May versus the average May to June drawdown of 9% but remain 33% higher than last year. The pork cutout has increased about $32/cwt. or 40% over the past two months with the belly primal contributing about 70% of that gain. After trading at extremely depressed levels earlier this spring, the belly primal has rallied 282% to nearly match last year's high at $216/cwt. last week. Pork exports to Mexico have been very strong and strength in the Peso relative to the US Dollar should help continue to support sales into the fall. Meanwhile, recent rainfall and beneficial forecasts moving into early August have taken risk premium out of the feed markets following a spike in the first half of the month. Our clients continue to monitor for strategic adjustments to existing positions while evaluating forward margin opportunities.

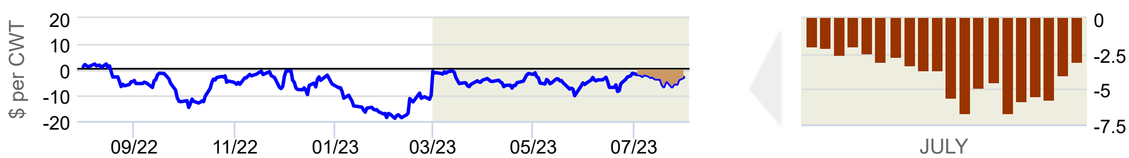
3rd Qtr '23 2022 2023 Q3 2023: HIGH **$8.89** LOW **-$14.52** LAST **$7.07** 10YR PERCENTILE **78.4%**



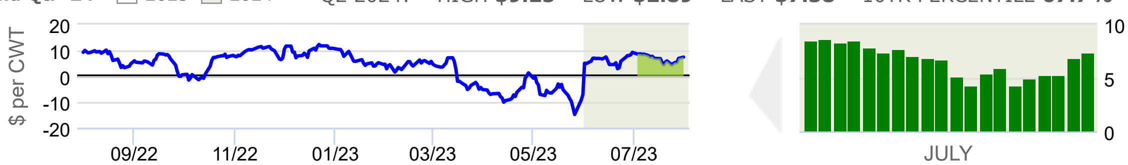
4th Qtr '23 2022 2023 Q4 2023: HIGH **-$2.96** LOW **-$17.25** LAST **-$6.38** 10YR PERCENTILE **67.5%**



1st Qtr '24 2023 2024 Q1 2024: HIGH **-$0.49** LOW **-$10.17** LAST **-$3.01** 10YR PERCENTILE **66.2%**



2nd Qtr '24 2023 2024 Q2 2024: HIGH **$9.25** LOW **$2.89** LAST **$7.38** 10YR PERCENTILE **67.7%**



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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