

Margins strengthened over the last half of August as lean hog futures gained while feed markets exhibited weakness. Crop conditions have stabilized in recent weeks and crop tour results suggest yields may be better than USDA's August forecast. The spread between the cash index and October hog futures remains historically wide and continues to offer support to futures. Negotiated hogs pushed above formula hogs in early June, fell below by late July, and are now \$XXXX under. Net pork export sales for the week ending August 19 (the most recent week for which data is available) were up 21 percent from the previous week but down 14 percent from the prior 4-week average. Increases for Mexico, Canada, and China outweighed decreases primarily for the Philippines. Shipments were up 4 percent from the previous week and from the prior 4-week average. USDA released on August 23 its monthly Cold Storage report, providing insight into month-end inventory levels in public and private cold storage warehouses. Total red meat supplies in freezers on July 31 were slightly higher than June 30 but 8 percent lower than a year ago. Frozen pork supplies were slightly higher than the previous month but 4 percent lower from last year. July pork inventories were 20.2 percent below the 5-year average. Ham stocks have begun to rebuild in recent months, with this year's build of 17 percent from the previous month larger than the 5-year average of 11 percent. Bellies remain another story—stocks fell 24 percent throughout the month and were down 35 percent from the previous year. Hog slaughter levels continue to hold near the 5-year average and well below year ago levels. Hog weights appear to have bottomed in late July at 206 pounds and have been heavier over the last several weeks. Internationally, Canadian pork production has been disrupted amid a labor dispute in some of the country's largest plants. Management and workers appear to have reached an agreement in principle, signaling an end to a 5 month-long strike. USDA's Beijing Foreign Ag Service office predicts China's 2022 pork production to decline by 14 percent as fewer hogs come to the market and "government policies designed to limit price fluctuations inadvertently undermine expansion". The same report forecasts pork imports to rise to 5.1 million metric tons from 4.75 million metric tons in 2021. Our clients have benefited by maintaining strong feed coverage while allowing for flexibility for further margin improvement over time.



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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