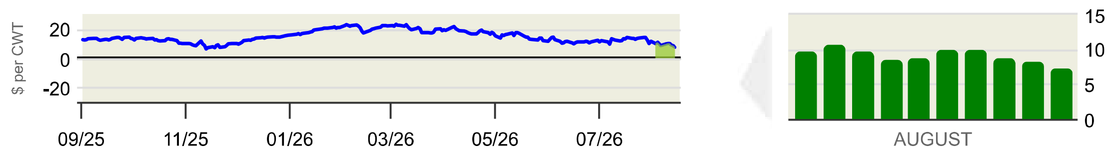
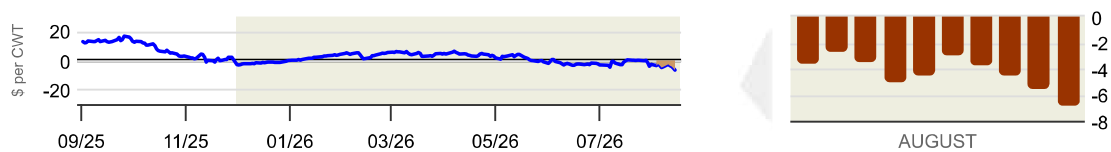
Hog Margin Watch: August

Margins continued to narrow through the first two weeks of August as hog prices declined and a relatively bullish crop report provided support to corn futures. Hog slaughter increased for the third consecutive week, while producer carcass weights averaged roughly 3 pounds heavier than during the same period in both 2025 and 2024. The Lean Hog Index appears to have established its seasonal peak in late July and is now more than $14 per hundredweight below year-ago levels. At the same time, the pork carcass cutout is at its second-lowest level of the past five years. Hams have been particularly sluggish, with values 30% below year-ago levels, while belly and loin values also remain below last year's levels. On the demand side, the latest trade data show that first-half U.S. pork exports remained strong despite a weak June. Exports totaled 1.51 million metric tons, up 4% from a year ago, while export value increased 3% to $4.22 billion. June exports fell 6% in volume and 9% in value, largely because pork variety-meat exports declined 21% as Mexico and Colombia restricted U.S. pork offal shipments over pseudorabies concerns. Those restrictions were resolved in July, however, which should provide a boost to offal exports and overall carcass value in the months ahead. Projected feed costs are another headwind for margins. The August WASDE report lowered USDA's 2026/27 corn yield estimate to 180.7 bushels per acre and reduced projected ending stocks, providing additional support to corn futures. Crop condition ratings remain near average across much of the country, although conditions in North Carolina and the High Plains warrant closer attention. Despite the recent margin compression, our clients remain well positioned for a potential recovery in the hog market, with flexible coverage that maintains protection against lower prices while preserving the opportunity to participate in higher prices into 2027.

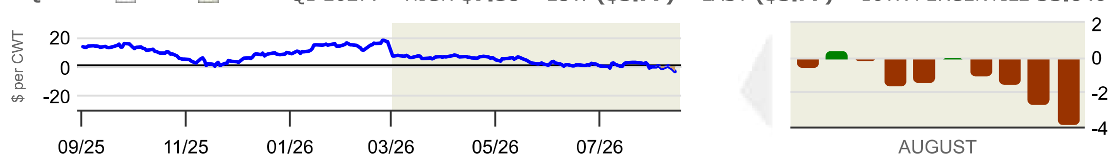
3rd Qtr '26 2025 2026 Q3 2026: HIGH **$23.23** LOW **$6.41** LAST **$7.56** 10YR PERCENTILE **69.0%**



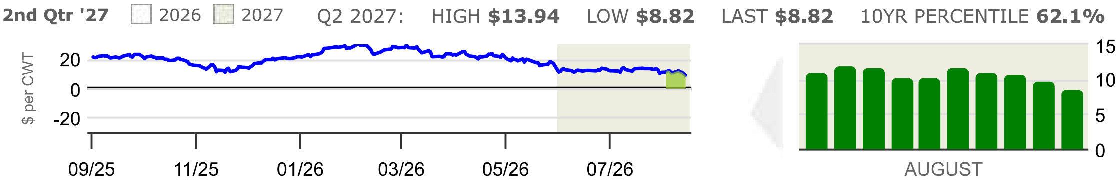
4th Qtr '26 2025 2026 Q4 2026: HIGH **$6.21** LOW **($6.67)** LAST **($6.67)** 10YR PERCENTILE **57.8%**



1st Qtr '27 2026 2027 Q1 2027: HIGH **$7.80** LOW **($3.77)** LAST **($3.77)** 10YR PERCENTILE **53.6%**



2nd Qtr '27 2026 2027 Q2 2027: HIGH **$13.94** LOW **$8.82** LAST **$8.82** 10YR PERCENTILE **62.1%**



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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