

# Hog Margin Watch: October



Margins were steady to slightly weaker over the second half of October as hog prices recovered at the end of the month after dropping to new contract lows while trends in feed prices were mixed with corn moving lower while soybean meal rose sharply. Hog prices remain under pressure with seasonal increases in production weighing on cutout values. Weekly slaughter in September and October has run about 1.2% to 1.8% higher than a year ago which is above the baseline projection from the latest USDA September Hogs and Pigs report estimating production to be about 1% higher than last year from the estimate of the March-May pig crop. Hog carcass weights have also been increasing at a faster pace than last year during this period, up 2.7% from the beginning of September compared to a 2% increase during the same period last year. The pork cutout at the end of October was quoted at \$86.40/cwt. which is down over 26% from the seasonal peak at the end of July with the belly primal declining 55% during this period and accounting for 2/3 of the total deterioration. The ham primal has also declined 26% from its seasonal peak with increased turkey production this year following severe losses from the HPAI outbreak last season adding pressure to ham values. USDA's Cold Storage report estimated total pork inventories of 462.8 million pounds at the end of September, down 13.8% from last year and 13% below the five-year average. The figure was also down 1.4% from August versus an average build of 0.4% between August and September over the previous five years. Both ham and belly inventories declined relative to last year. Our clients continue targeting levels to extend margin coverage in deferred marketing periods while also evaluating opportunities for adjustments to existing positions.



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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