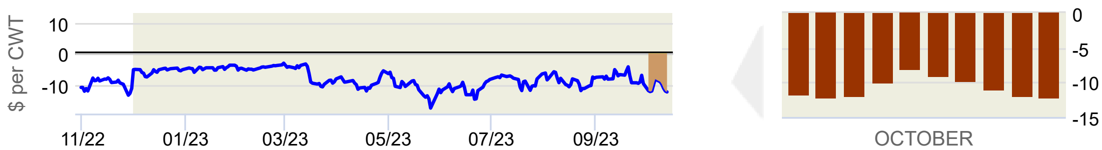
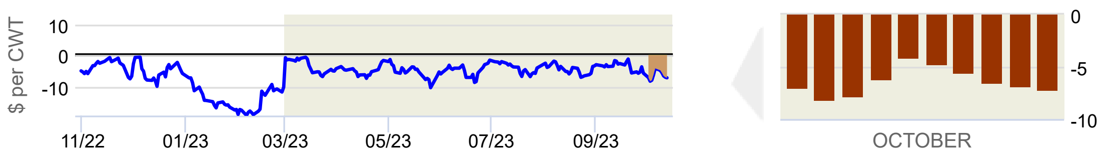
Hog Margin Watch: October

Margins continued to weaken over the first half of October as hog prices were steady to slightly lower while there was a slight increase in projected feed costs. The USDA's October WASDE report featured lower production for both corn and soybeans with a tighter balance sheet for corn. Corn and soybeans both advanced following the report and there is a feeling that we may have already achieved a harvest low. Hog prices continue to be pressured by weakness in both the pork cutout and cash hog market. Last week's pork cutout value at $94.70/cwt. was the lowest since late August-early September with the loin, rib, butt, ham, and belly primals all moving lower over the past few weeks. USDA reported pork export sales for the week ending September 29 at 43,000 MT, the highest since April with sales to Mexico 40% higher than the most recent four-week average. August pork exports of 179,447 MT were up 3.3% from last year although September sales are expected to be down 5-7% from a year ago based on the current pace of shipments. Increased supplies in Q4 are expected to boost exports in October however and export demand will be key to support the market. Outstanding pork export sales of 252,590 MT at the end of September were up 40% from last year and represent 9.5 weeks of supply at the current shipment pace. USDA's FAS is forecasting 2024 global pork production to remain level with 2023 as lower output in the EU and China is offset by higher production in Brazil, Vietnam, and the U.S. FAS also noted that Brazil exports continue to gain market share from the U.S. and EU, particularly in Japan and Mexico. Our clients continue targeting levels to extend margin coverage in deferred marketing periods while also evaluating opportunities for adjustments to existing positions.

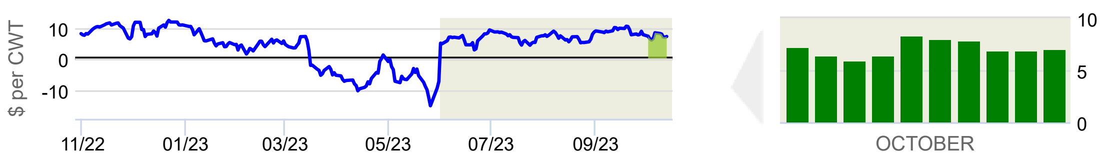
4th Qtr '23 2022 2023 Q4 2023: HIGH **-$2.96** LOW **-$17.25** LAST **-$12.11** 10YR PERCENTILE **34.3%**



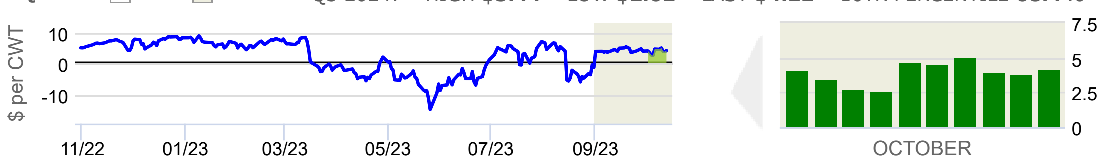
1st Qtr '24 2023 2024 Q1 2024: HIGH **-$0.49** LOW **-$10.17** LAST **-$7.03** 10YR PERCENTILE **43.1%**



2nd Qtr '24 2023 2024 Q2 2024: HIGH **$10.42** LOW **$2.89** LAST **$7.16** 10YR PERCENTILE **66.6%**



3rd Qtr '24 2023 2024 Q3 2024: HIGH **$5.44** LOW **$2.62** LAST **$4.22** 10YR PERCENTILE **68.4%**



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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