

Hog Margin Watch: November



Margins were mixed to slightly weaker across spot and forward marketing periods with relatively steady trade in both hog prices and feed costs over the second half of November. Cash hog prices appear to have found a near-term low with the National Negotiated Daily Direct Hog price bottoming around \$55/cwt. and strengthening about \$6.50 since the middle of the month. Producers' inability to remain current with ongoing labor constraints at processing plants likely contributed to some of the weakness in cash hog prices over the past two months, but based on the September Hogs and Pigs report, pipeline supplies will likely ease over the near-term and allow producers to catch up. This may also begin to tighten the premium between Pork Cutout and Lean Hog futures, although continued labor shortages at further processing facilities are still causing disruption to sub-primal prices, such as the difference between bone-in and boneless hams. Total inventories of pork in Cold Storage were 439.6 million pounds at the end of October, down 1.7% from last year. To illustrate the difference in ham products, bone-in hams increased 58% from last year to 82.5 million pounds while boneless ham stocks declined 3.9% to 68.3 million pounds. Belly supplies remain their tightest in six years, with stocks of 11.6 million pounds down 39.0% from last year. Corn prices continue to hold as concerns over soaring fertilizer prices and dryness in South America are providing support. New-crop corn prices will also have to hold up with acreage competition from crops such as spring wheat, oats and cotton providing attractive return profiles in the upcoming planting season. Our clients continuing looking for opportunities to add margin protection in deferred periods with flexible strategies that allow for further margin improvement while evaluating adjustments on existing positions.



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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