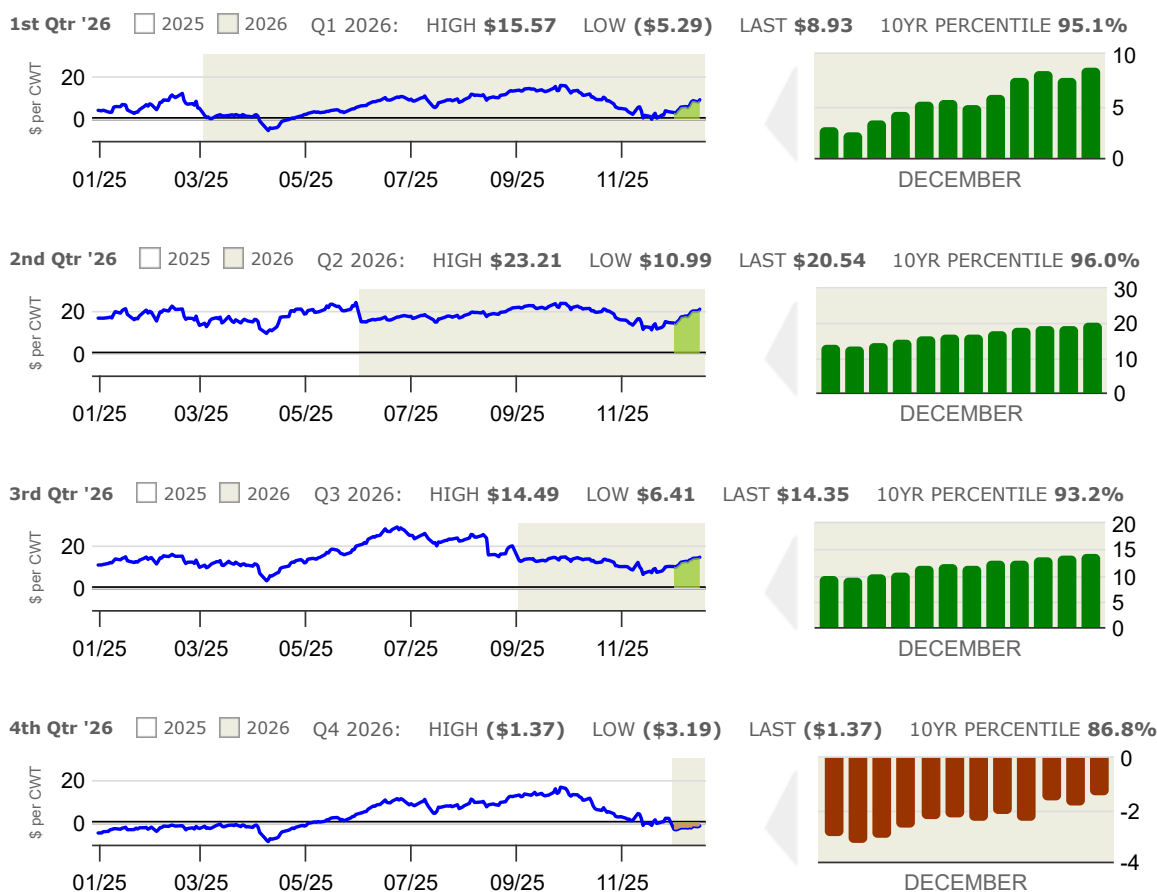


Hog Margin Watch: December



Margins continued to improve over the first half of December from a combination of higher hog prices and lower feed prices. Hog futures prices have been gaining recently on strength in the pork cutout despite increasing production from larger slaughter runs and heavier harvest weights. Hog slaughter last week was estimated at 2.727 million head, up 6.5% from a year ago and the highest for this comparable week in the past five years. Cumulative hog slaughter since the beginning of November is up 200,000 head or 1.3% from last year which is more than would be expected given the inventory breakdown from USDA's September Hogs and Pigs report, which had hogs in the 120–179-pound category up 0.4% from last year and those weighing 50-119 pounds down 2.3% from 2024. Moreover, weights have also been up compared to last year so that total pork production in the past two weeks has been up 6.5% from 2024. Despite this, the pork cutout in the first two weeks of December is up about \$4.00/cwt., with about \$3.00 of that gain coming from the belly primal which at around \$128/cwt. is up about 17% from last year. USDA's December WASDE report kept the 2026 pork balance sheet largely unchanged from November, with limited adjustments to the corn and soybean balance sheets. The market will await further direction from the upcoming December Hogs and Pigs report on supply side dynamics, but current cutout expectations for next summer remain well below the levels achieved this year despite both stronger demand and limited supply growth. Our clients have been focusing on adding coverage further out on the curve in Q4 2026 and even Q1 2027 with historically strong margin opportunities presenting early, well ahead of those actual production periods.



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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