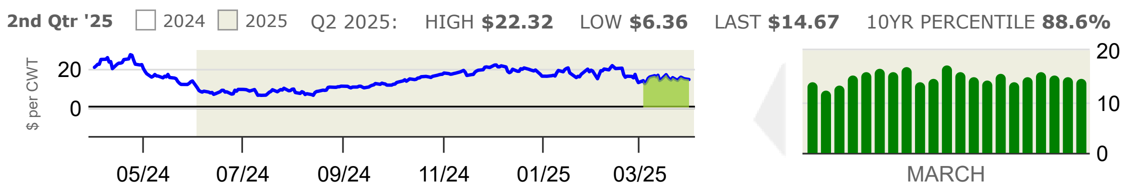
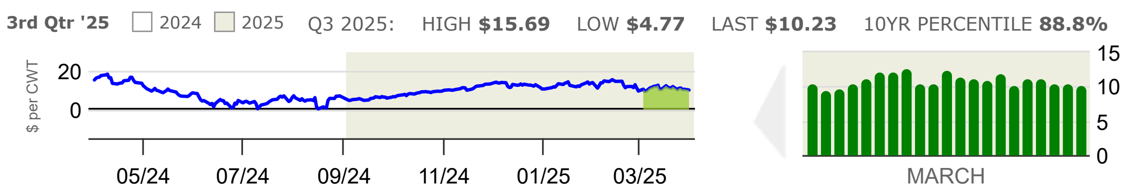
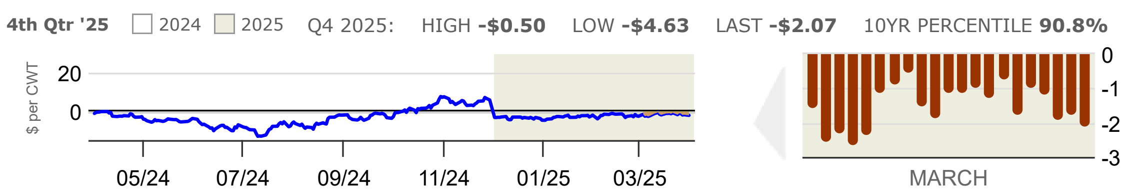
Hog Margin Watch: March

Margins deteriorated over the second half of March as a drop in projected feed costs was more than offset by lower hog prices to finish the month. The hog market declined despite what was construed as a bullish quarterly hog inventory report and monthly cold storage data. USDA's March Hogs & Pigs report estimated all hogs and pigs as of March 1 at 74.512 million head, down 0.24% from a year ago versus the average expectation for a 1.2% increase over 2024. As expected, USDA also revised the inventory estimates lower for both the Sep 1 and Dec 1 periods, reflecting lower slaughter figures since those preliminary estimates. The Sep 1 hog inventory was revised down 604,000 head or 0.8% while the Dec 1 inventory was revised down 940,000 head or 1.2%. The March 1 breeding inventory of 6.016 million head was down 0.6% from last year and the lowest March total since 2016. In addition, the sow replacement rate was unchanged from last year, indicating no obvious intention among producers to rebuild the herd despite lower feed costs and improved profit margins. USDA noted the pig crop during the Dec-Feb period was down 0.2% from a year ago, implying that summer slaughter will be lower than last year. Farrowings in the Dec-Feb quarter were estimated at 2.892 million, down 1.3% from last year while pigs saved per litter increased by 1% to 11.65 head. USDA's Cold Storage report showed supplies of frozen pork inventories at the end of February totaled 423.1 million pounds, down 7.7% from last year, 10.8% below the five-year average and the lowest February total in 25 years. Despite this, outstanding pork export sales to Mexico are currently 21% below this time last year and concerns remain over a drop in demand if reciprocal tariffs are applied to U.S. pork as happened in 2018. Our clients continue to protect historically favorable forward margins given trade and demand uncertainty.







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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