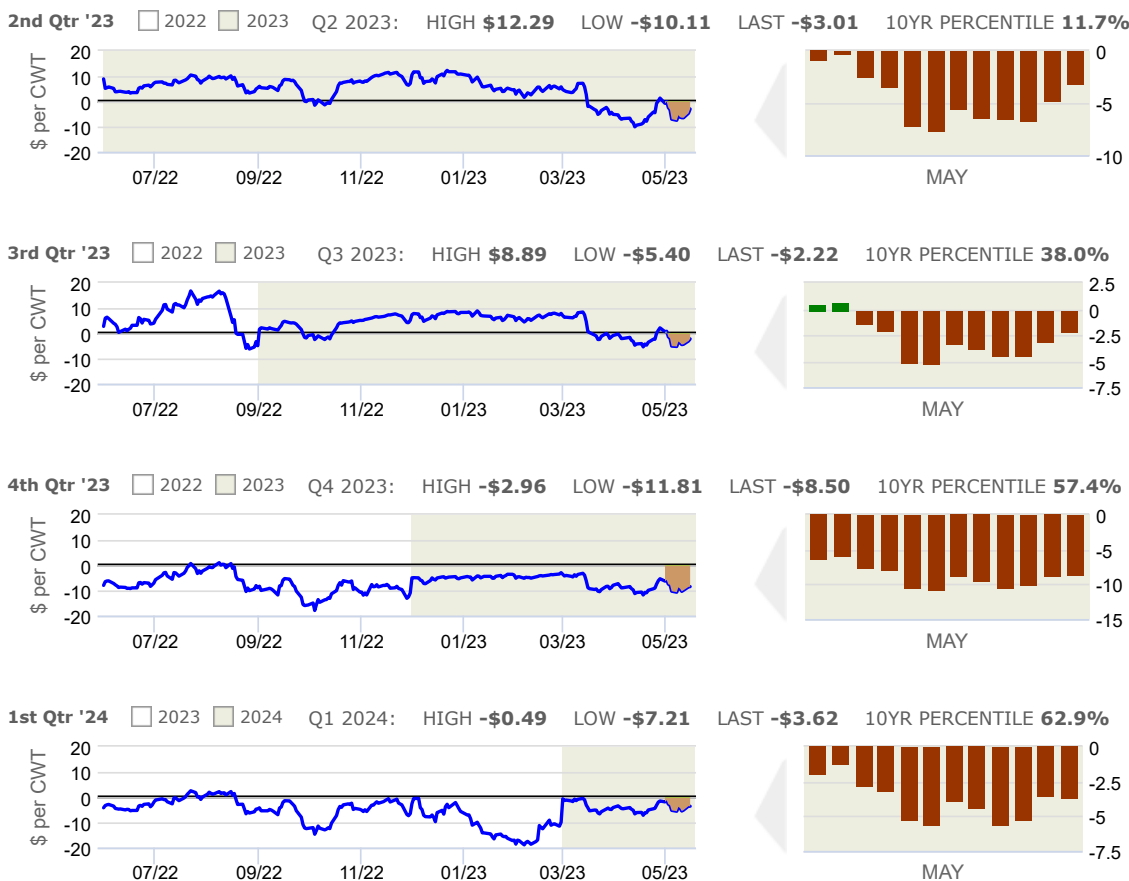


Margins weakened over the first half of May as lower hog prices more than offset steady to declining feed costs. In a significant blow to the pork industry, the Supreme Court ruled to uphold California's Proposition 12 by a 5-4 margin, deciding against the NPPC's assertion that the state's rule violates the dormant commerce clause in Federal law. With 40 million residents, California consumes 15% of the nation's pork production even though its share of national production is negligible. As such, much of the pork that is currently sold in the state will have to find a home elsewhere through domestic channels or through the export market since it will take time for producers in major producing states of the Midwest to retrofit barns if they choose to comply with the new law. There is speculation that many may choose not to however, particularly with negative spot and forward margins as well as the cost of taking on such a capital project in the current interest rate environment. The upcoming Hogs and Pigs report next month should provide more direction on producer farrowing intentions going forward. According to USDA, Q1 pork exports increased 127.5 million pounds or 8.3% from last year to almost 1.74 billion pounds with gains to the top 5 markets led by Mexico with a gain of 4.9% to 632.2 million pounds. USDA also released the May WASDE report with the first new-crop balance sheets for the upcoming 2023-24 crop year. A recovery in yield is expected to increase production and ending stocks for both corn and soybeans, which has pressured both futures markets. Planting progress remains on track with 65% of the corn and 49% of the soybeans complete in the latest report. Our clients have been strengthening feed hedges recently to get ahead of potential issues later in the growing season.



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.

The information contained in this publication is taken from sources believed to be reliable, but is not guaranteed by Commodity & Ingredient Hedging, LLC, nor any affiliates, as to accuracy or completeness, and is intended for purposes of information and education only. Nothing therein should be considered as a solicitation to trade commodities or a trade recommendation by Commodity & Ingredient Hedging, LLC. All references to market conditions are current as of the date of the presentation. Futures and options trading involves the risk of loss. Past performance is not indicative of future results. Please visit www.cihmarginwatch.com to subscribe to the CIH Margin Watch report.