

Margins continued to improve over the second half of June due to ongoing strength in hog prices and lower projected feed costs. USDA released the quarterly Hogs and Pigs report which was considered bearish for more deferred periods. The total inventory of all hogs and pigs as of June 1 was estimated at 72.394 million head, up slightly from last year at 100.11% of 2022 compared to an average decline of 0.7% expected. The breeding herd at 6.146 million head was down slightly from last year but the big surprise in the report was the March-May pigs per litter figure at 11.36 head, up 3.27% from a year ago and well above industry forecasts. This completely offset the lower farrowing figure for the same period which was down 2.41% from a year ago and represented a record level of pigs saved per litter. The ratio of farrowings to the breeding herd at 47.5% during the March to May period was down 1% from last year and the lowest in 20 years. USDA also reported pork inventories in Cold Storage at the end of May of 525.9 million pounds, down 7.3% from April and 3.7% below last year. The average April/May drawdown in pork inventories over the past 10 years has been around 3% so more stocks may have been directed to California where supplies harvested prior to July 1 are still eligible to be sold in the state through year-end according to a recent clarification in Prop 12. This should support the market near-term as cold storage stocks look to get replenished, although belly inventories remain heavy at 82.5 million pounds, up 46% from last year and 48% above the most recent five-year average. Our clients continue scaling into increased protection with the recent margin recovery, especially further out on the curve, with flexible strategies to allow for continued improvement in forward profitability.



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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