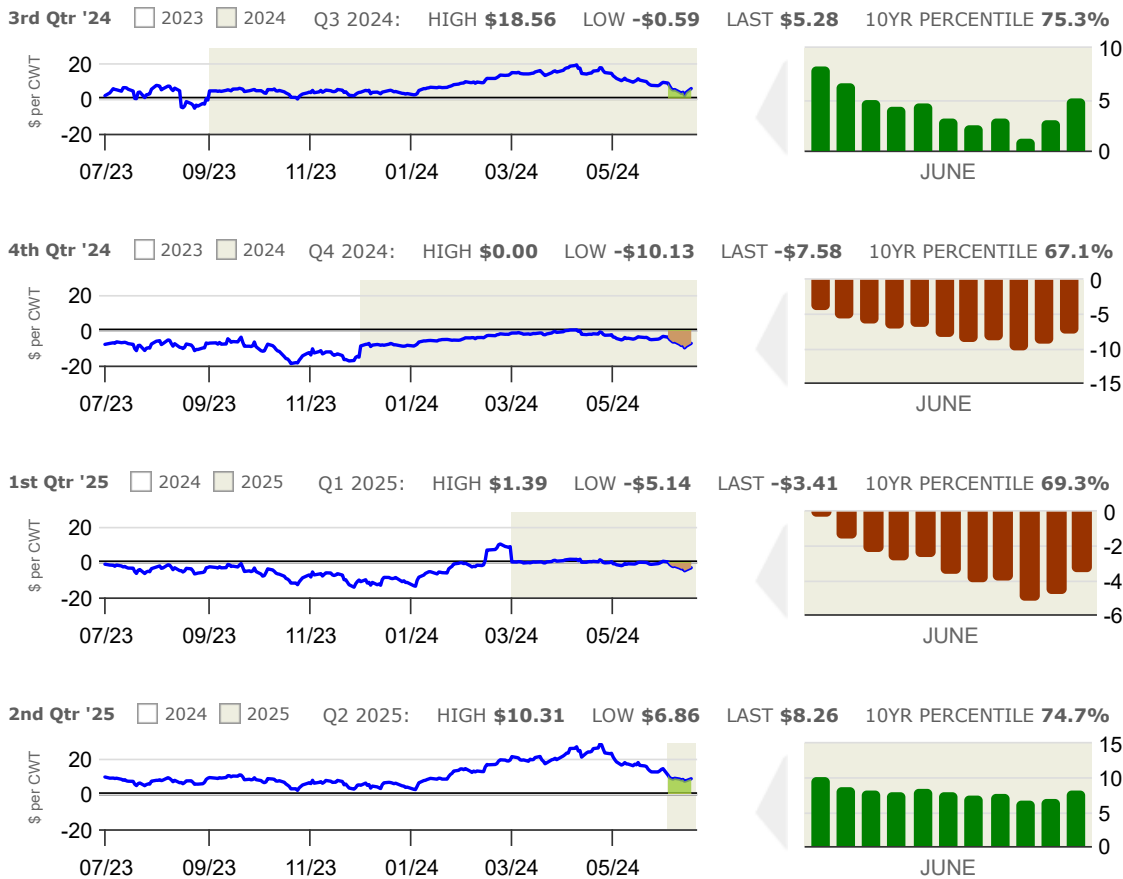


Margins deteriorated over the first half of June as hog prices declined more than projected feed costs. Hog prices have succumbed to recent pressure as depreciation in the Mexican Peso relative to the U.S. dollar following the landslide win of Claudia Sheinbaum to succeed President Andres Manuel Lopez Obrador has markets on edge that a continuation of socialist policies will weaken the currency, denting Mexican purchasing power. The Peso dropped 5% in just two days following the election results, and U.S. ham prices have increased 12% since mid-May for Mexican buyers which will most likely slow demand. Pork export shipments to Mexico slowed down considerably in May following a record month in April with over 92,000 MT shipped up 23,000 MT or 32% from last year. Outstanding pork export sales are currently down 23% from a year ago, suggesting further declines in shipments during June-August. In addition, China is threatening more barriers on U.S. pork export shipments in retaliation to new proposed tariffs on Chinese goods. While export shipments to China are nowhere near where they were previously during the height of ASF, China is still the fifth largest market for U.S. pork exports. Hog prices are also under pressure as heavy hog weights and higher slaughter increase pork production. The average weight of producer-owned hogs is currently 2.8% higher than last year and well above the levels of both 2021 and 2022. Hog slaughter the last four weeks has been 9.345 million head, up 285,000 head or 3.1% above last year and well above what would have been suggested by the March Hogs and Pigs report. Our clients have made strategic adjustments on existing hog positions to add upside price flexibility for potential margin improvement over time while strengthening forward feed coverage.



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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