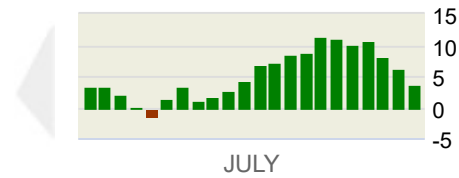
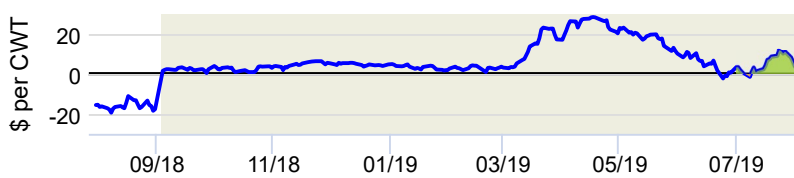


Hog Margin Watch: July

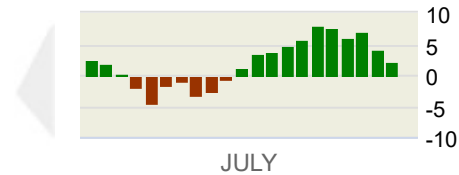
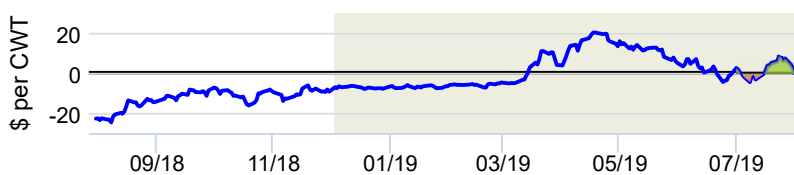


Margins were mixed over the first half of July, recovering slightly in nearby periods through year end while largely flat through the first half of 2020. Hog prices have stabilized over the past couple weeks while feed costs have moderated to some extent with recent forecasts suggesting more rain to impact the Corn Belt in the near term. USDA released the July WASDE report which incorporated increased pork production estimates for both 2019 and 2020 following the latest quarterly Hogs & Pigs data. 2019 pork production was revised up 360 million pounds to 27.662 billion while the 2020 projection was raised 185 million pounds to 28.424 billion. While 2020 production is now only expected to exceed 2019 output by 2.75% compared to June's estimate of a 3.43% increase, there is still a lot more pork that will need to clear U.S. domestic and export demand channels, particularly through FH 2020. On that note, USDA lowered their 2019 pork export estimate from June by 25 million pounds to 6.441 billion based on recent trade data. Given cumulative YTD exports through May, even the revised figure implies that June-December exports will need to be up 20.77% from 2018 in order to reach the new projection. For context, USDA currently projects total exports in 2019 to exceed 2018 by only 9.62%, so there is a pretty heavy lift in front of us through the remainder of the year. Much of this optimism probably centers around expectations for increased shipments to China in upcoming weeks and months, so a lot of attention will likely focus on the large amount of outstanding pork sales to the country which have not yet shipped. Our clients have benefited from recent adjustments to capture hedge equity in nearby marketing periods and add flexibility to hog and feed positions following the recent decline in margins.

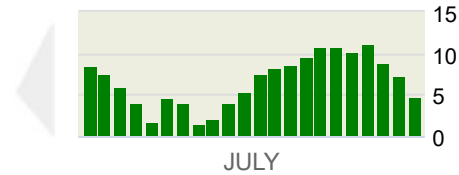
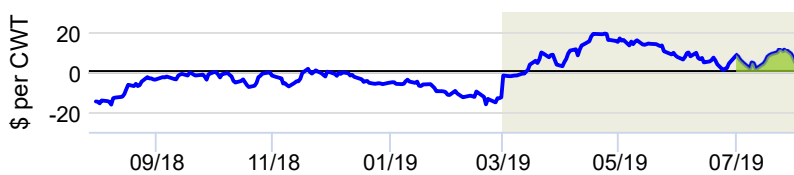
3rd Qtr '19 2018 2019 Q3 2019: HIGH **\$28.39** LOW **(\$2.28)** LAST **\$3.87** 10YR PERCENTILE **41.3%**



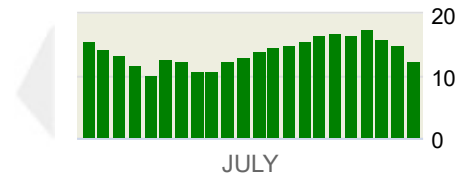
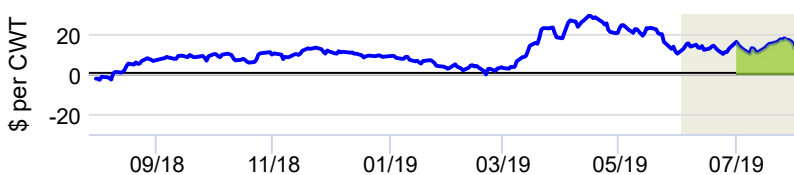
4th Qtr '19 2018 2019 Q4 2019: HIGH **\$20.22** LOW **(\$8.05)** LAST **(\$0.01)** 10YR PERCENTILE **58.6%**



1st Qtr '20 2019 2020 Q1 2020: HIGH **\$19.12** LOW **(\$2.10)** LAST **\$4.91** 10YR PERCENTILE **75.0%**



2nd Qtr '20 2019 2020 Q2 2020: HIGH **\$17.76** LOW **\$9.85** LAST **\$12.72** 10YR PERCENTILE **76.4%**



The Hog Margin calculation assumes that 73 lbs of soybean meal and 4.87 bushels of corn are required to produce 100 lean hog lbs. Additional assumed costs include \$40 per cwt for other feed and non-feed expenses.

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