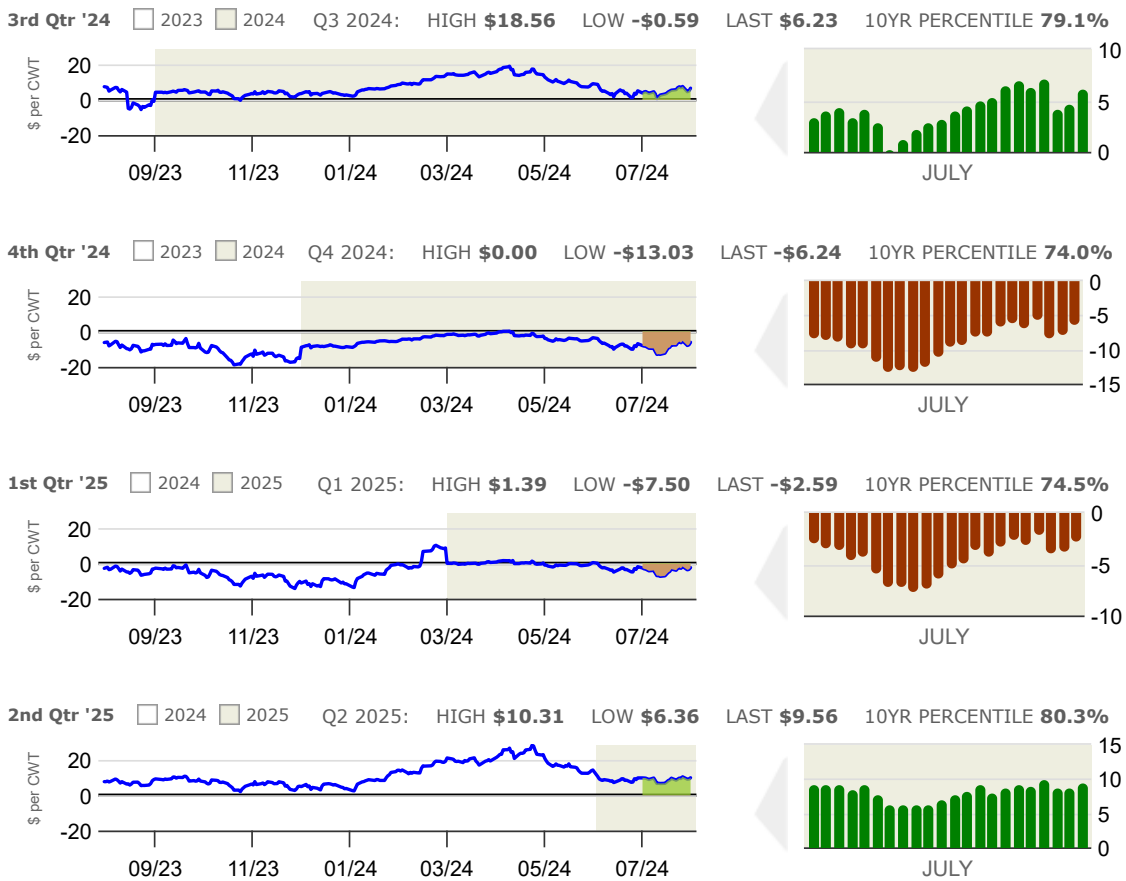


Hog Margin Watch: July



Margins improved over the second half of July as hog prices rallied sharply since the middle of the month while the feed markets held steady. Strength in the pork cutout during July, which has been primarily supported by the ham and belly primals, is fueling the recent surge in CME Lean Hog futures contracts. The ham primal rose about 27% during July from \$88/cwt. to \$112/cwt. while the belly primal climbed by 35% from \$112/cwt. to \$151/cwt. Part of the strength in the ham primal though has been driven by export demand to Mexico, but due to recent currency devaluation of the Peso, bone-in ham prices have increased 65% in price since mid-May which may begin weighing on future orders. Export demand has been key to absorbing excess supply from the market as hog slaughter and harvest weights track above last year. Hog slaughter was estimated by USDA last week at 2.436 million head, up 1.6% from a year ago and the highest weekly slaughter since April. Producer-owned barrows and gilts averaged 210.9 pounds (dressed carcass weight) which was up 4 pounds or 2% above last year. Weights are relatively high for this time of year, even eclipsing 2020 when hogs got backed up due to COVID-related disruptions. USDA reported pork in Cold Storage at the end of June totaled 470.9 million pounds, down 3.3% from last year but less than the historical seasonal decline between May and June. Belly inventories declined 9.4 million pounds or 13.5% from a year ago while ham inventories decreased 10.6 million pounds or 5.2% from last year. June pork production of 2.118 billion pounds was up 5.8% from last year when adjusting for the difference in production days, with YTD production through June of 13.808 billion pounds up 1% from 2023. Our clients have begun to add new coverage in deferred marketing periods with flexible strategies following the recent margin improvement.



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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