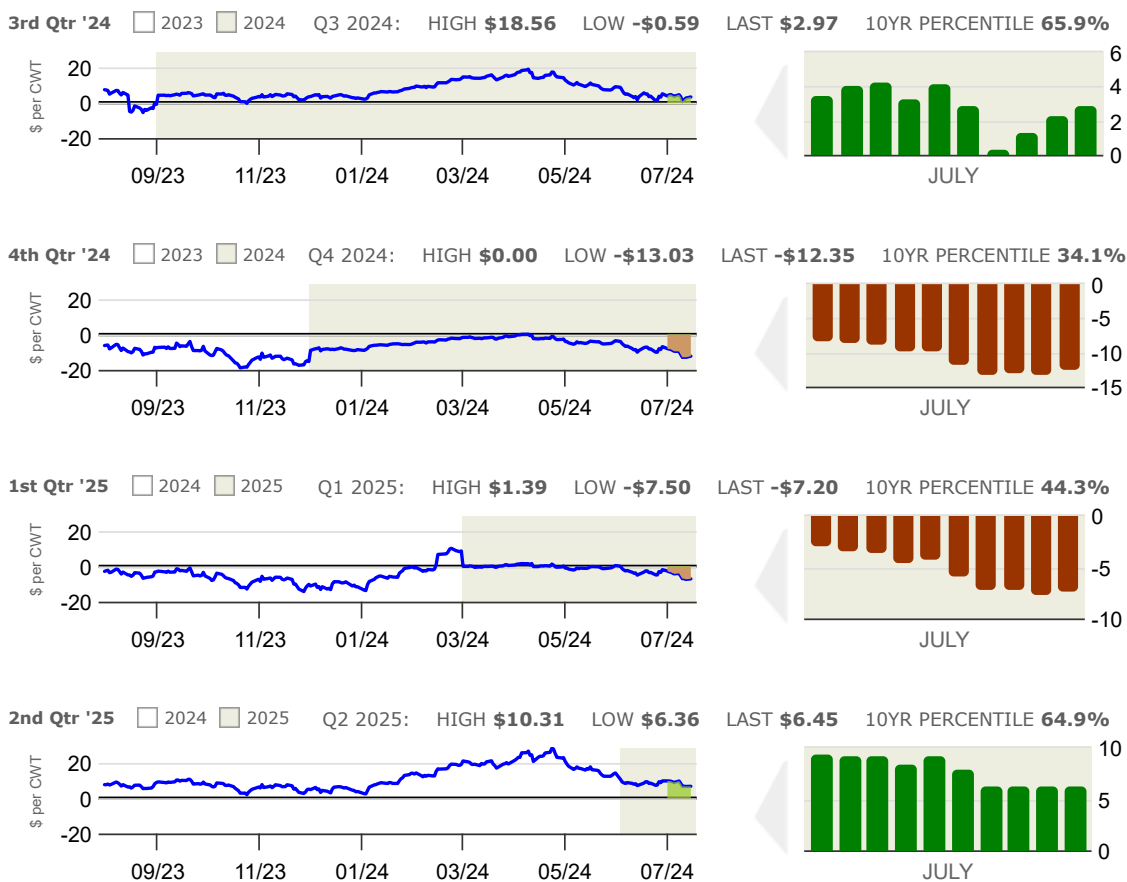


Margins deteriorated over the first half of July as a sharp decline in hog prices more than offset a similar selloff in the feed markets. Pork exports which have been a bright spot so far this year have started to fade as a stronger dollar and higher prices along with a continued weak economy in China are all weighing on trade. USDA's FAS reported exports of fresh, frozen and cooked pork during May totaled 199,492 MT, down 5% from last year with exports lower across all major markets. Exports to Mexico of 78,859 MT were down 5.1% from a year ago although YTD exports are still up 8% from 2023 in large part due to strong shipments during April. Exports to China of 10,304 MT were down 38% from a year ago, with YTD exports down 37% from last year. Weekly data suggest that June exports could be down by double digits from a year ago with lower exports to both Mexico and key Asian markets. USDA has also been increasing its projection for U.S. pork production which increases the importance of strength in the export market to absorb the additional supply. While revisions in the July WASDE report were minor, total pork production in 2024 projected at 28.154 billion pounds is 169 million higher than what was estimated in January and over 800 million pounds (+3.0%) higher than last year. USDA has increased its export projection to account for the higher production forecast, currently estimated at 7.247 billion pounds in 2024, which would match the +6% YTD pace through May. Unfortunately, if exports can't keep up, spot pork supplies need to be discounted to move through domestic demand channels, and weakness in the pork cutout the past couple months may in part reflect this reality. Our clients have made recent adjustments to existing positions to allow for increased margin flexibility over time.



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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