

Hog Margin Watch: September



Margins were steady to slightly higher over the second half of September as rising hog prices more than offset increasing feed costs. USDA released the September Hogs and Pigs report which was considered largely neutral based on the headline numbers, although there was some confusion on inventory levels for the individual weight breakdowns. All hogs and pigs as of September 1st were reported at 76.48 million head, up 0.46% from last year and right in line with the average estimate of a 0.5% increase from 2023. The breeding herd at 6.044 million head was down 2.18% from a year ago versus the average expected decline of 2.4% and within the range of estimates of 97.2% and 98.0% of last year. By class, hogs weighing over 180 pounds were estimated up 4.8% from last year and well above the range of estimates between 101.3% and 102.3% of a year ago. Hog weighing between 120 and 179 pounds were estimated up 3.49% from last year versus the range of estimates expecting an increase of 0.7% to 2.1% from 2023. Hogs between 50 and 119 pounds, and hogs under 50 pounds were estimated down 1.33% and 1.54%, respectively, from last year which were both slightly below the range of estimates. Many analysts were confused by these numbers as slaughter last week was down 1.6% from a year ago and the slaughter run over the past four weeks has been roughly even with a year ago. USDA also reported pork inventories in Cold Storage at the end of August totaled 453.641 million pounds, unchanged from the prior month compared to the average build of 2.2% between July and August. The figure was also down 3.3% from a year ago and the second lowest figure for the end of August in the past 10 years behind 2021. Our clients continue adding new coverage in deferred marketing periods with flexible strategies to take advantage of potential future margin improvement 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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