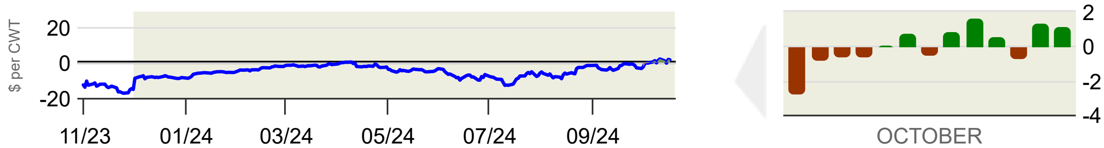
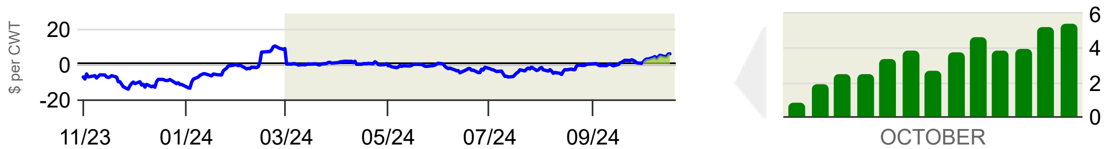
Hog Margin Watch: October

Margins improved sharply over the first half of October on a combination of both rising hog prices and falling feed costs. Nearby CME December Lean Hog futures have rallied over 20% in the past two months and deferred contracts in the summer of 2025 have made new contract highs recently as the market maintains a firm undertone. There has been much discussion about the discrepancy between the latest USDA September Hogs and Pigs report which indicated a much larger inventory of market ready hogs in the two heaviest weight categories compared to the actual number of hogs that have been harvested in recent weeks. The most recent week's slaughter of 2.584 million head was down 0.9% from last year while the prior week's slaughter of 2.586 million was only up 0.44% from 2023 when the quarterly data suggested there are 4.8% and 3.5% more hogs, respectively, in the over 180 pound and 120-179 pound weight ranges. In addition, the pace of weight gains since early September has not been as strong as the past three years which would suggest that producers are current in their marketings. The pork cutout has also been quite firm, holding in the mid-$90 range since late August which is also supportive to CME Lean Hog futures as the cutout has more weight in the Lean Hog Index than before. USDA's FAS released trade data for August which showed pork exports at 192,376 MT, up 7.1% from the prior year following a 14% increase in July with strong shipments to Mexico accounting for about 60% of the year-over-year increase in exports. Pork export shipments to Colombia were also up 85% from last year. Our clients continue adding new coverage in deferred marketing periods with flexible strategies to take advantage of potential future margin improvement over time.

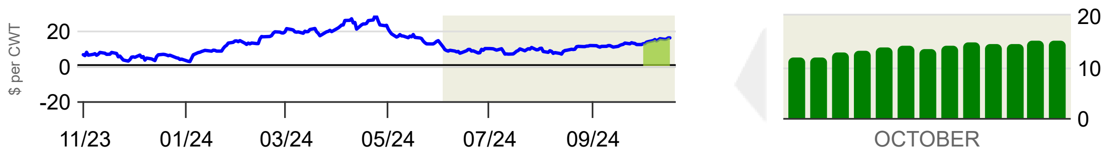
4th Qtr '24 ☐ 2023 ☐ 2024 Q4 2024: HIGH **$1.70** LOW **-$13.03** LAST **$1.24** 10YR PERCENTILE **97.2%**



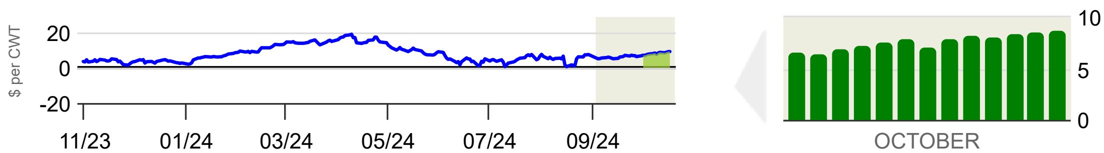
1st Qtr '25 ☐ 2024 ☐ 2025 Q1 2025: HIGH **$5.51** LOW **-$7.50** LAST **$5.51** 10YR PERCENTILE **96.8%**



2nd Qtr '25 ☐ 2024 ☐ 2025 Q2 2025: HIGH **$15.48** LOW **$6.36** LAST **$15.48** 10YR PERCENTILE **92.9%**



3rd Qtr '25 ☐ 2024 ☐ 2025 Q3 2025: HIGH **$8.83** LOW **$4.77** LAST **$8.83** 10YR PERCENTILE **89.8%**



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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