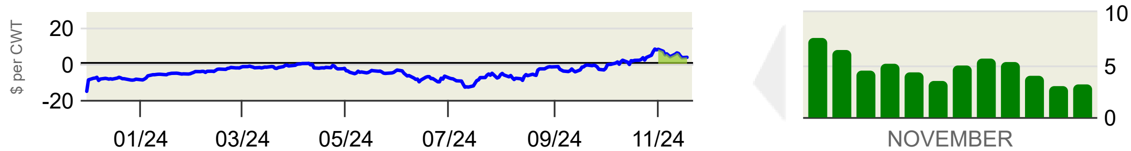
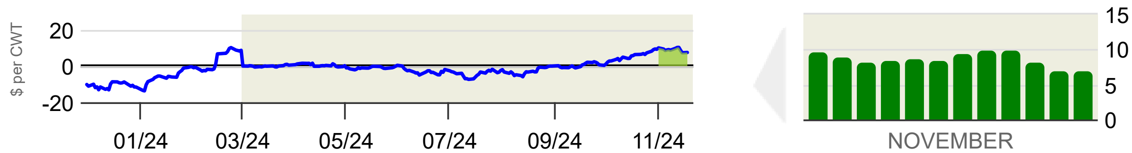
Hog Margin Watch: November

Margins deteriorated over the first half of November, particularly in nearby marketing periods, as hog prices declined while projected feed costs were mixed with corn slightly higher and soybean meal lower. CME Lean Hog futures succumbed to pressure from a drop in pork cutout values, led by a decline in bellies and hams. The belly primal has carried much of the strength in pork cutout this year, with approximately 75% of the year-over-year gain in the pork cutout attributed to this primal. A drawdown in cold storage stocks with September belly inventory 40% below the five-year average caused buyers to become more reliant on the spot market, although there is less product available for spot negotiated trade with volume declining sharply since August despite weekly kills running around 2.6 million head per week recently. It appears that large packers and pork processors have much of the belly volume already committed to fill existing orders which has limited spot trade. There is also concern following the election results that Trump's planned tariff policies could be negative for pork export demand, especially to Mexico and China. According to USDA's FAS, September's pork exports totaled 189,388 MT, up 14,202 MT or 8.1% from last year with Mexico accounting for approximately 41% of total U.S. pork exports YTD through September. Moreover, Mexico and China were responsible for 85% of pork variety meats last year, an item where the export market pays a premium over domestic use. Our clients continue adding new coverage further out on the curve to take advantage of historically strong margins with flexible strategies to allow for further potential margin improvement over time.

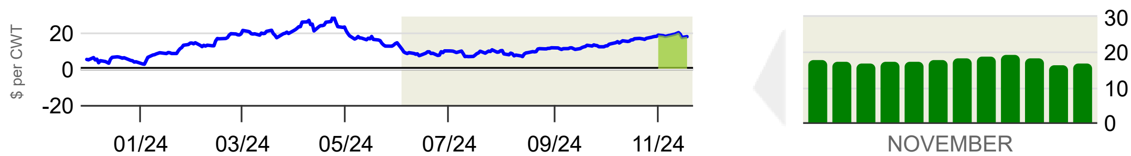
4th Qtr '24 ☐ 2023 ☐ 2024 Q4 2024: HIGH **$7.81** LOW **-$13.03** LAST **$3.30** 10YR PERCENTILE **97.9%**



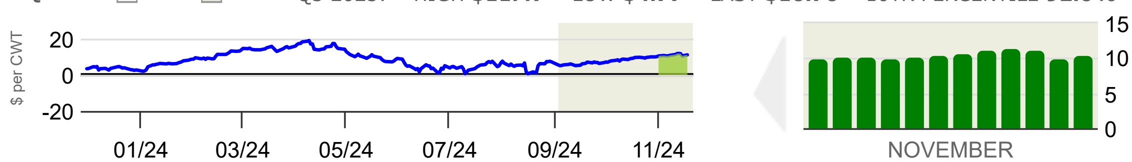
1st Qtr '25 ☐ 2024 ☐ 2025 Q1 2025: HIGH **$10.02** LOW **-$7.50** LAST **$7.24** 10YR PERCENTILE **97.4%**



2nd Qtr '25 ☐ 2024 ☐ 2025 Q2 2025: HIGH **$19.46** LOW **$6.36** LAST **$17.27** 10YR PERCENTILE **94.8%**



3rd Qtr '25 ☐ 2024 ☐ 2025 Q3 2025: HIGH **$11.47** LOW **$4.77** LAST **$10.70** 10YR PERCENTILE **92.6%**



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.