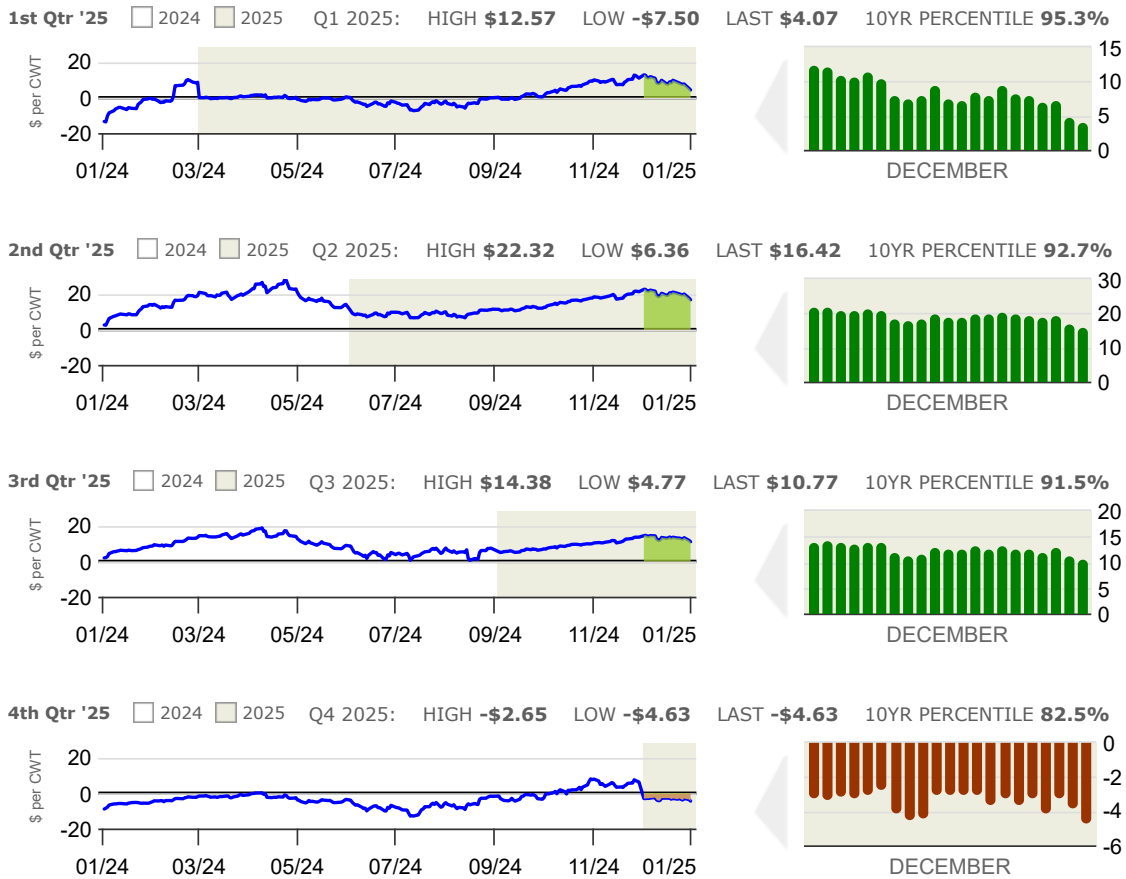


Hog Margin Watch: December



Margins deteriorated over the last half of December as hog prices continued moving lower while the feed markets rallied, with particular strength in soybean meal. USDA released the much-anticipated December Quarterly Hogs and Pigs report, which indicated larger supplies than trade expectations. All hogs and pigs as of December 1 were pegged at 75.845 million head, up 0.5% from last year when the market was expecting supplies to be even with a year ago. By weight breakdown, inventories of lighter hogs were larger than expected while heavier weight categories were down from last year, in opposition to indications from the previous quarterly survey. Hogs weighing less than 50 pounds were up 1.2% from last year, hogs between 50-119 pounds were reported up 1.4% from last year, hogs between 120-179 pounds were estimated down 0.6% from a year ago while those over 180 pounds were down 0.5%. While the breeding herd at 6.004 million head was right in line with analyst expectations and even with a year ago, a larger-than-expected pigs saved per litter more than offset the impact of reduced farrowings in the Sep-Nov quarter. The 2.955 million head farrowed during this period was down 0.2% from last year, but pigs per litter were pegged at 11.92 head – up 2.3% from 2023 and much higher than the pre-report estimate that only anticipated a 0.5% increase. As a result, the pig crop at 35.2 million head increased 2.0% from a year ago versus expectations for a 0.5% increase. Meanwhile, soybean meal posted a key reversal and rallied 11.6% off the recent low while corn experienced a similar upside technical breakout. Our clients benefited from extending coverage recently and are now evaluating strategic adjustments to existing positions to allow for further potential 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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