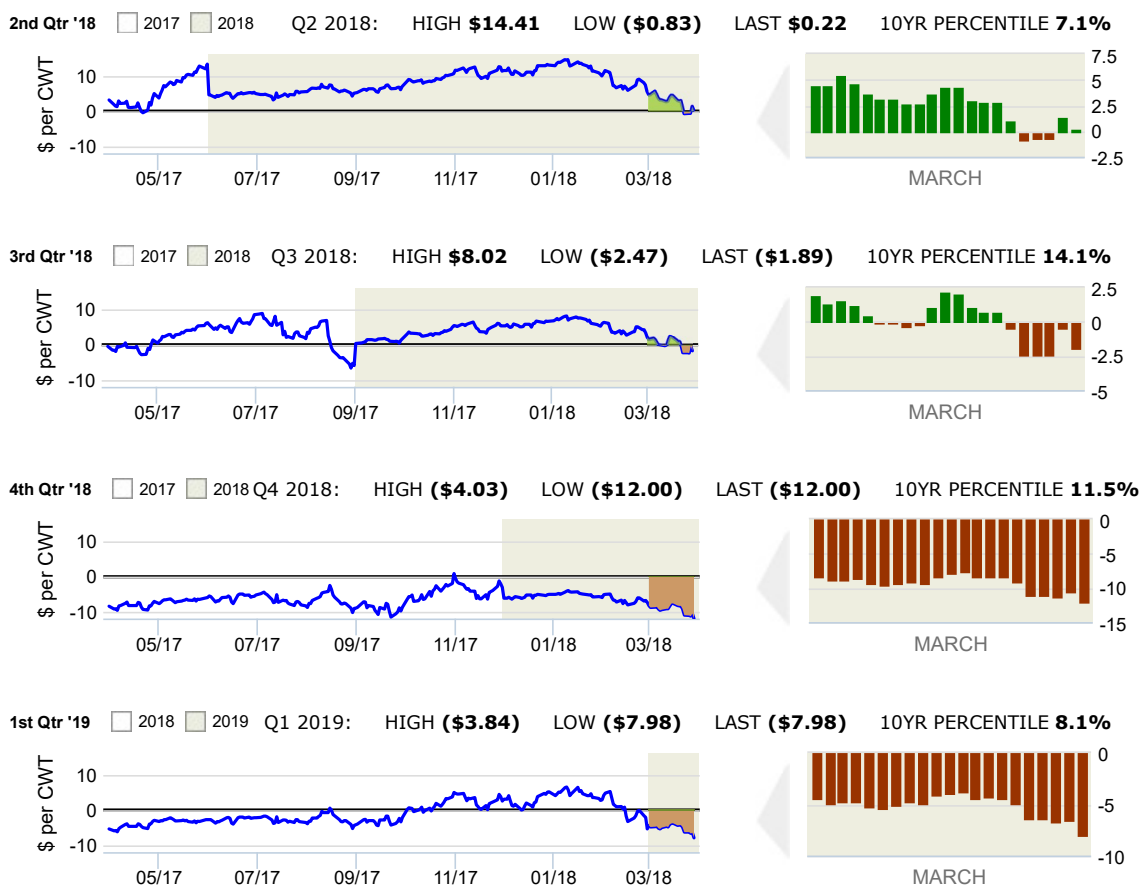


# Hog Margin Watch: March



Margins dropped sharply over the second half of March on a combination of lower hog prices and higher feed costs. With the exception of spot Q2 which is barely above breakeven, forward margins are now projected negative into early next year and well below average from a historical standpoint. The hog market received bad news when China confirmed that it will retaliate against the new U.S. import tariffs on steel and aluminum by imposing its own tariffs on U.S. exports, including pork. China will now levy an additional 25% punitive tariff on top of the current 12% import duty and 13% VAT for U.S. pork and offal imports which effectively doubles the existing tariff. USDA's quarterly Hog and Pig report showed the total number of hogs and pigs on March 1 at 72.908 million head, up 3.12% from last year and exactly in line with the average of pre-report estimates. The kept for breeding figure was 6.2 million head, up 1.67% from last year and slightly above the average trade forecast of a 1.5% increase from 2017. The kept for marketing figure 66.708 million head was also very close to pre-report estimates at 103.26% of last year. None of the individual weight class figures, breakdown of the Dec-Feb pig crop or forward farrowing intentions showed more than a 0.5% deviation from average trade expectations, making the overall report neutral. The Prospective Plantings report proved bullish for the corn and soybean meal markets, with planting intentions well below trade expectations. Corn acreage was estimated at 88.026 million, down 2.141 million from last year and outside of the range of estimates between 88.4 and 91 million. Soybean acreage was projected at 88.982 million, also down from last year by 1.16 million acres and likewise below the range of estimates between 89.9 and 92.1 million. Our clients have benefited from recent adjustments to strengthen feed hedges prior to the USDA report.



The Hog Margin calculation assumes that 73 lbs of soybean meal and 4.87 bushels of corn are required to produce 100 lean hog lbs. Additional assumed costs include \$40 per cwt for other feed and non-feed expenses.

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