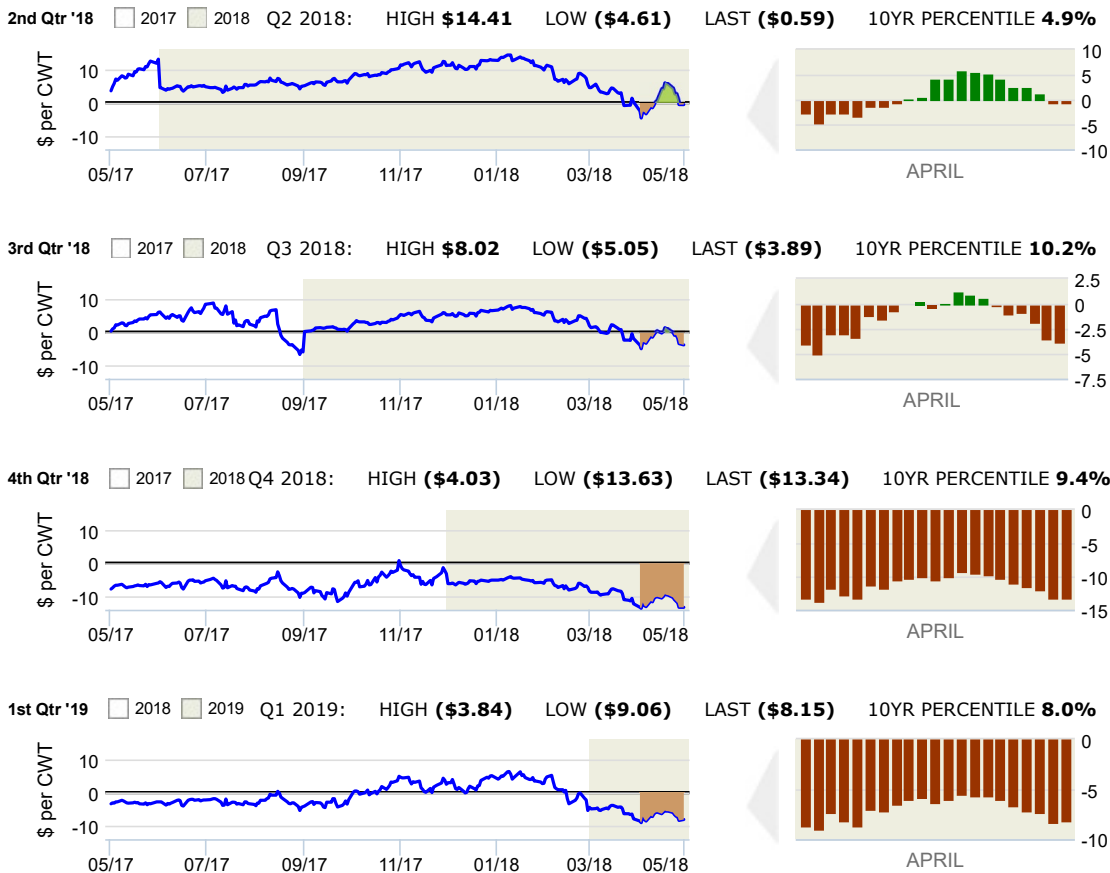


Hog Margin Watch: April



Margins deteriorated sharply over the second half of April from a combination of slumping hog prices and rising feed costs. Hog margins are now back below breakeven through Q1 of 2019 and historically depressed in the bottom decile of profitability over the past 10 years. Hog futures have been pressured recently by a buildup in pork inventories based on the latest monthly Cold Storage report. USDA reported the inventory of all pork products in cold storage at the end of March totaled 611.0 million pounds, up 12% from last year and equal to the five-year average. Compared to February, March pork inventories increased slightly versus the average stocks drawdown of 3.7% over the past five years. Bellies in particular at 59.2 million pounds were up 187% from last year and increased 21% from February compared to the average seasonal build of 3% between February and March over the past five years. Lower prices likely sent increased supplies into cold storage this year, although larger pork production also pressured pork trim values sending more of those supplies into freezers as well. Feed prices meanwhile have continued to trend higher with both corn and soybean meal taking out previous highs in February and March with ongoing concerns over planting delays amidst strong demand. USDA reported corn planting at 17% complete through the week ending April 29 compared to 32% last year and 30% based on the 10-year average. Soybean planting progress was 5% complete as of Sunday compared to 9% last year and 6% for the 10-year average. Following the recent price advances in both corn and soybean meal, our clients are making strategic adjustments to add flexibility to feed hedges.



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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