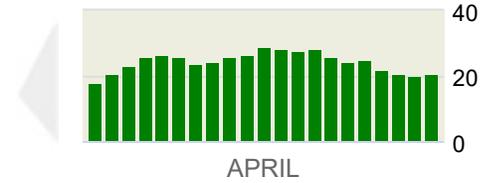
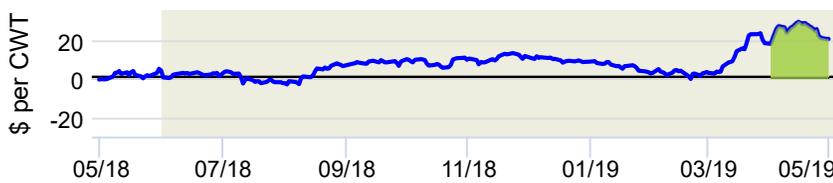


Hog Margin Watch: April

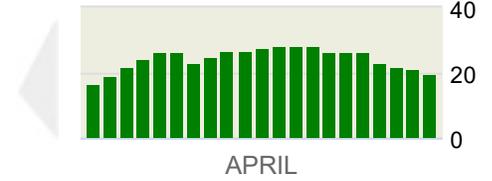
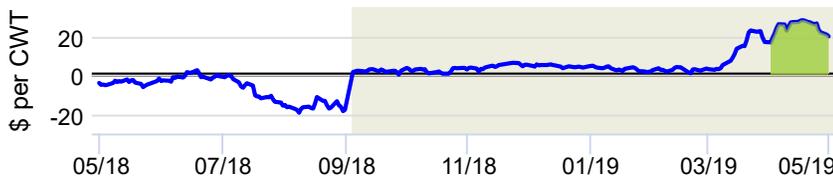


Margins set back over the second half of April following a correction in the hog market as feed costs continued their decline. While prior news of increased export business to China was driving strength in the cash market and fueling the futures rally, absence of any new news since then appears to be at least partially responsible for recent weakness. Although China remains the center of attention, export sales have been off to a number of other markets recently. Export sales to Mexico in the last four weeks have averaged 71% below a year ago with export sales to Japan down 21% and 27% lower to South Korea. Even Canada which has been rather active in the market this year has seen their sales decline 33% compared to a year ago over the past four weeks. Much of the prior business was executed when pork prices were cheaper, so it will be necessary to continue moving product at higher prices for the rally to continue. Pork export sales in the latest reporting week of 15,500 MT were down 62% from the previous week and prior four-week average, with net reductions of 200 MT noted for China. One talking point recently though is whether the full extent of Chinese purchases are being captured in USDA reporting as whole or split carcasses apparently do not get reflected in the daily 602 and 603 pork cutout reports. On the feed side, both corn and soybean meal continue to slide with negative sentiment plaguing the grain and oilseed markets. Corn planting progress increased to 15% complete in the latest week compared to 27% on average but in line with the 15% last year at this time. It will be wet across a vast stretch of the Corn Belt this week which will limit progress. Our clients are taking advantage of the current weakness in hogs to lighten delta and add upside flexibility to price hedges.

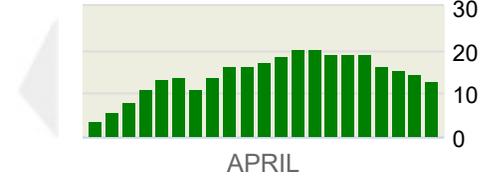
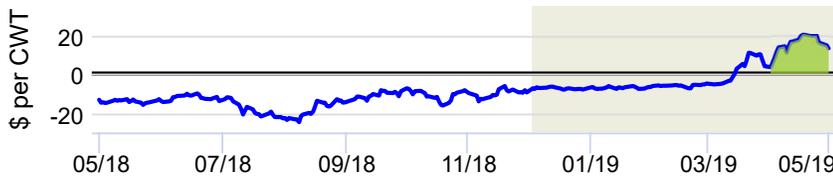
2nd Qtr '19 2018 2019 Q2 2019: HIGH **\$29.34** LOW **(\$3.00)** LAST **\$20.41** 10YR PERCENTILE **89.8%**



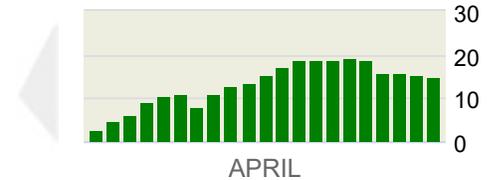
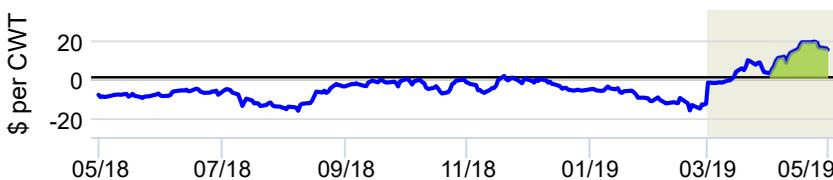
3rd Qtr '19 2018 2019 Q3 2019: HIGH **\$28.39** LOW **\$0.36** LAST **\$20.19** 10YR PERCENTILE **93.5%**



4th Qtr '19 2018 2019 Q4 2019: HIGH **\$20.22** LOW **(\$8.05)** LAST **\$13.23** 10YR PERCENTILE **92.4%**



1st Qtr '20 2019 2020 Q1 2020: HIGH **\$19.12** LOW **(\$2.10)** LAST **\$15.01** 10YR PERCENTILE **93.8%**



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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