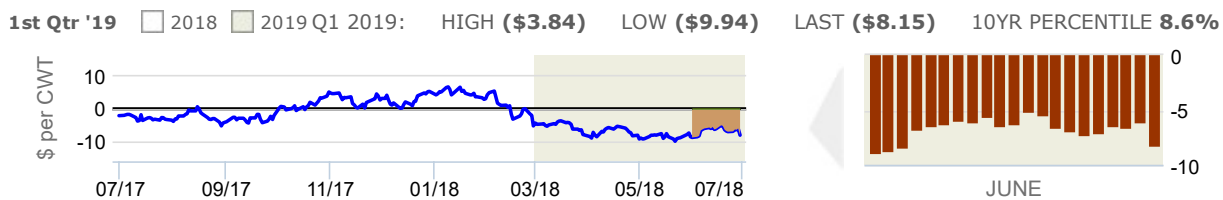
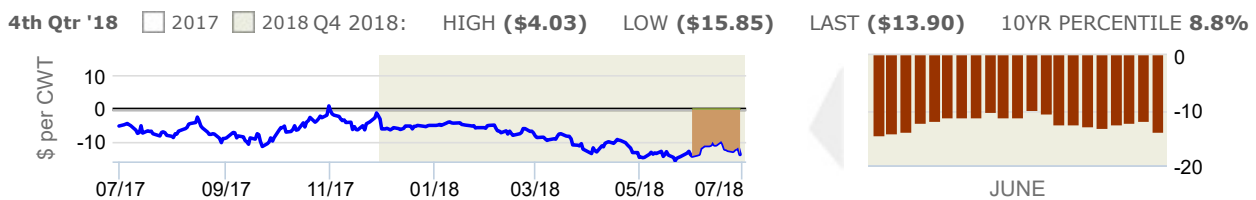
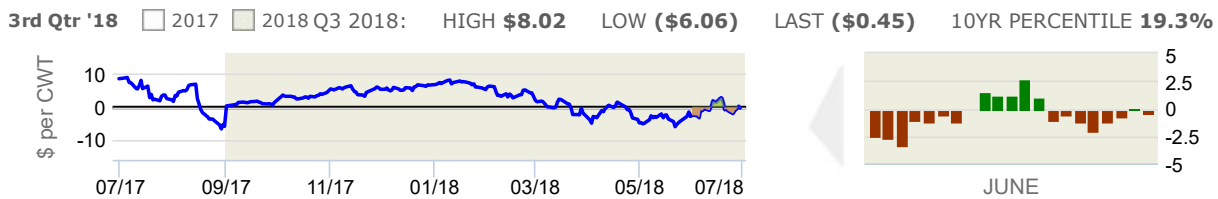


Hog Margin Watch: June



Hog margins suffered across the board the last half of June, as sharply lower corn and meal prices could not offset lower hog prices. Trade tensions fueled selling throughout the agricultural sector, as doubts about future exports exacerbated, amidst the looming early July deadline for Chinese, as well as Mexican tariffs on U.S. pork imports. The June Hogs and Pigs Report continued to show expansion, with the total inventory up 3.44% year-over-year at 73.451 million head, and compared to the average pre-report expectation of 103.0% of 2017. The largest deviation from the pre-report estimates was in the kept for breeding category, which revealed 6.320 million head, or 103.45% above 2017, and 1.75% greater than expectations. Almost as large of a deviation was in the March to May farrowings of 3.121 million head, 1.45% greater than expectations and an increase 3.55% over last year. Mexico has elected a new President, Andres Manuel Lopez Obrador, who will take office in December. President Trump afterwards stated his intentions to put NAFTA talks on hold now until after the U.S. mid-term elections, perhaps to line up with the newly elected Mexican president's fresh term. U.S.-China progress also appears at a standstill. One can hope that the quietness is a good sign for progress on both fronts.



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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