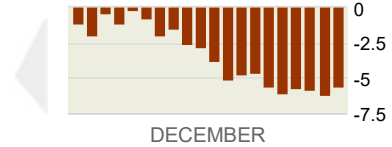
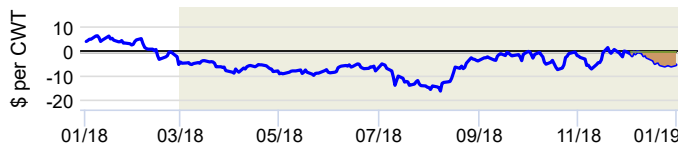


Hog Margin Watch: December

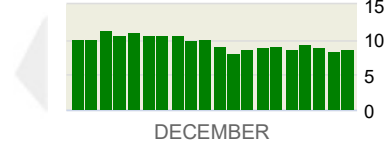
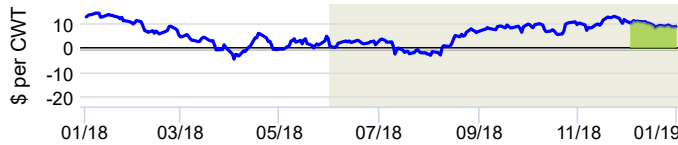


Hog margins were mixed over the last half of December, weakening slightly in nearby periods through the first half of 2019 while strengthening in deferred periods over the second half of the year. Overall, the markets were pretty flat with limited movement to close out 2018. Not much has changed with record weekly hog slaughter pressuring the front end of the market while optimism continues to grow that a trade thaw with China is forthcoming along with renewed U.S. pork exports to help fill their expected shortfall in the New Year. There was recent news that President Trump and Premier Xi had a phone conversation with substantive progress being made on some of the more delicate topics ahead of direct meetings between negotiating teams as they prepare for renewed discussions in China next week. Meanwhile, China reported a new outbreak of ASF on a farm with 73,000 pigs in Heilongjiang Wednesday, with the outbreak infecting 4,686 pigs at that facility. The country's Ministry of Agriculture also reported that slaughterhouses will now need to run ASF tests on pig products before selling them into the commercial market, in a further attempt to prevent the spread of the disease. If ASF is found, the slaughterhouse must cull all pigs to be slaughtered and suspend operations for at least 48 hours according to the new regulation which goes into effect February 1. USDA reported hog slaughter last week of 1.884 million head which was down 9.8% from the same week last year, likely due to a snow storm in the Western Corn Belt; however, projected slaughter of 2.177 million for the current week would be up 2.5% from this same week last year. Our clients continue to look for strategic adjustments and target favorable margin opportunities in deferred quarters of 2019.

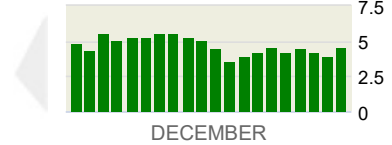
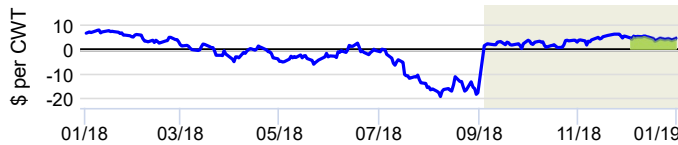
1st Qtr '18 2017 2018 Q1 2018: HIGH **\$1.52** LOW **(\$16.43)** LAST **(\$5.55)** 10YR PERCENTILE **18.2%**



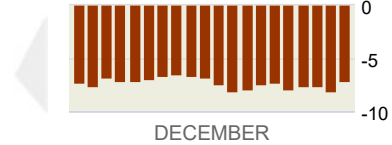
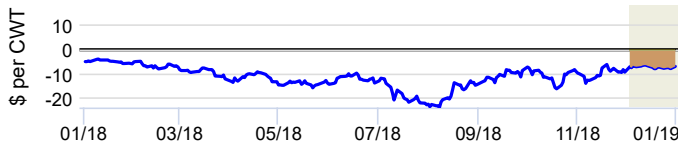
2nd Qtr '18 2017 2018 Q2 2018: HIGH **\$13.06** LOW **(\$3.00)** LAST **\$8.73** 10YR PERCENTILE **58.9%**



3rd Qtr '18 2017 2018 Q3 2018: HIGH **\$6.36** LOW **\$0.36** LAST **\$4.66** 10YR PERCENTILE **49.7%**



4th Qtr '18 2017 2018 Q4 2018: HIGH **(\$6.49)** LOW **(\$8.05)** LAST **(\$7.09)** 10YR PERCENTILE **32.0%**



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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