

Q4 2025 OUTLOOK

Hog Producers Poised to Strengthen Financial Position

By Matt Erickson

REPORT SNAPSHOT

Situation: Tight pork supplies and low cold storage levels are supporting prices, but seasonal trends and trade uncertainty could pressure Q4 hog markets — making cutout performance and primal values critical to sustaining profitability through year's end.

Impact: Producer margins are expected to remain positive in Q4 due to lower feed costs, steady export demand and tight domestic pork supplies.

U.S. HOG MARKET OUTLOOK: Q4 2025

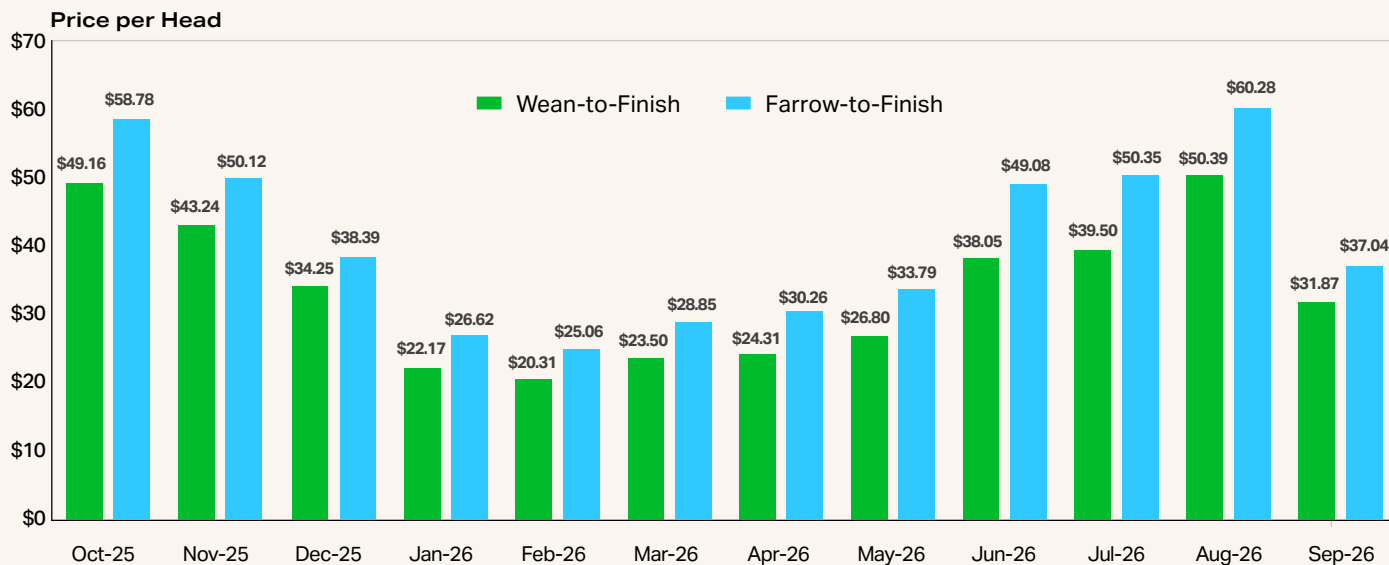
U.S. pork production is expected to decline in 2025, followed by a modest rebound in 2026. The USDA recently lowered its 2025 forecast by 180 million pounds, bringing total projected output

to approximately 27.6 billion pounds. The 2026 estimate remains at 28.4 billion pounds. While the sow herd has declined, productivity per sow continues to rise — driven by improved biosecurity protocols, genetic advancements and more efficient feeding strategies.

Producer margins continue to see significant improvement thanks to a sharp decline in feed costs. Omaha cash corn prices have dropped below \$4 per bushel, with some markets reaching \$3.50. Soybean meal is currently trading between \$270 and \$280 per ton with typical seasonal lows arriving in late September to early October. The reduction in feed costs has provided much-needed financial relief after two years of tight margins, allowing producers to strengthen their working capital positions.

Crush Margins Remain Favorable Over the Next 12 Months

Market Prices as of 9/26/2025



Sources: Terrain projections

As a result, many producers are now operating with positive margins. The hog sector was profitable in Q3, supported by tight pork supplies, easing feed costs, and stronger domestic demand. According to Iowa State University, farrow-to-finish margins ended August with a \$52.58 per-head profit, marking 17 consecutive months of profitability.

Looking ahead, based on futures prices as of September 26, 2025, I project:

- Wean-to-finish profits to average \$42 per head in Q4 and over \$33 per head across the next 12 months.
- Farrow-to-finish profits to average approximately \$49 per head in Q4 and over \$40 per head over the next year.

With the 12-month outlook remaining favorable, producers should remain proactive in implementing risk management strategies to protect margins through 2026.

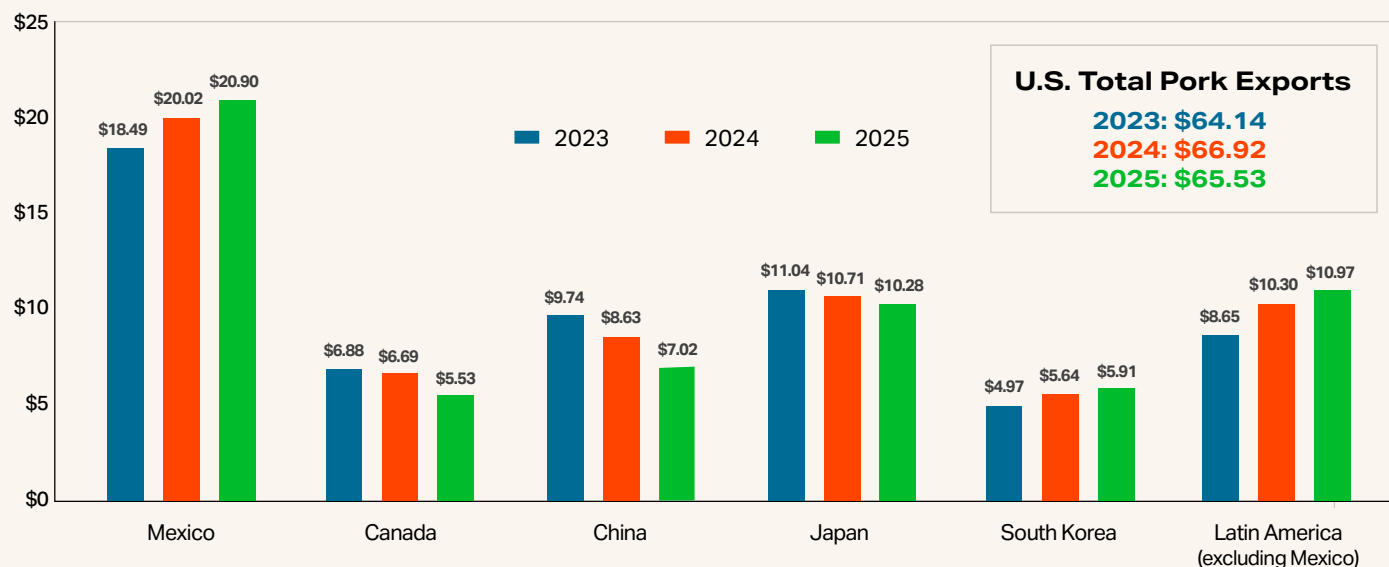
EXPORTS FINISHED STRONG TO END FIRST HALF OF 2025, BUT TARIFFS REMAIN A WILD CARD

Despite ongoing trade uncertainties and heightened consumer price sensitivity, steady export demand — particularly from Mexico and Latin America — continues to provide support for the U.S. hog market.

In July, pork exports totaled over 551.9 million pounds, down 2.7% from the same month last year and 2.5% year-to-date compared to 2024. While volume declined slightly in July, exports for 2025 are expected to account for a larger share of total production, underscoring their continued importance to the industry. Export value also fell 4% year-over-year to \$680.9 million, largely due to a 10% drop in pork variety meat prices, driven by ongoing Chinese tariffs.

Overall, 2025 year-to-date (YTD) pork exports are trailing slightly behind 2024, which marked the second-largest export year on record (behind only 2020). Over the past three years, U.S. pork exports

Value of Pork Exports on a Per-Animal Basis (2023 to July 2025)



Sources: USDA, LMIC, Terrain

have shown remarkable consistency, as reflected in export value per head slaughtered: \$64.14 in 2023, rising to \$66.92 in 2024, and settling at \$65.53 through July 2025.

While export values from top trading partners such as Canada, China and Japan have declined, growth from markets like Mexico, South Korea, and broader Latin America is helping offset these losses. Latin America, in particular, presents strong growth potential. However, trade tensions with Mexico and China remain a key risk.

As the fourth quarter begins, U.S. pork producers face heightened uncertainty, with trade truce extensions for both Mexico and China set to expire in late October and early November. Furthermore, the Supreme Court will consider — likely during the upcoming quarter — whether President Trump’s tariffs on imports from foreign nations are legal. I expect markets to be volatile leading up to each deadline. Navigating these challenges will require strategic focus in your risk management plans in order to set floors and protect profitability in 2026.

PORK SUPPLIES REMAIN TIGHT HEADING INTO Q4

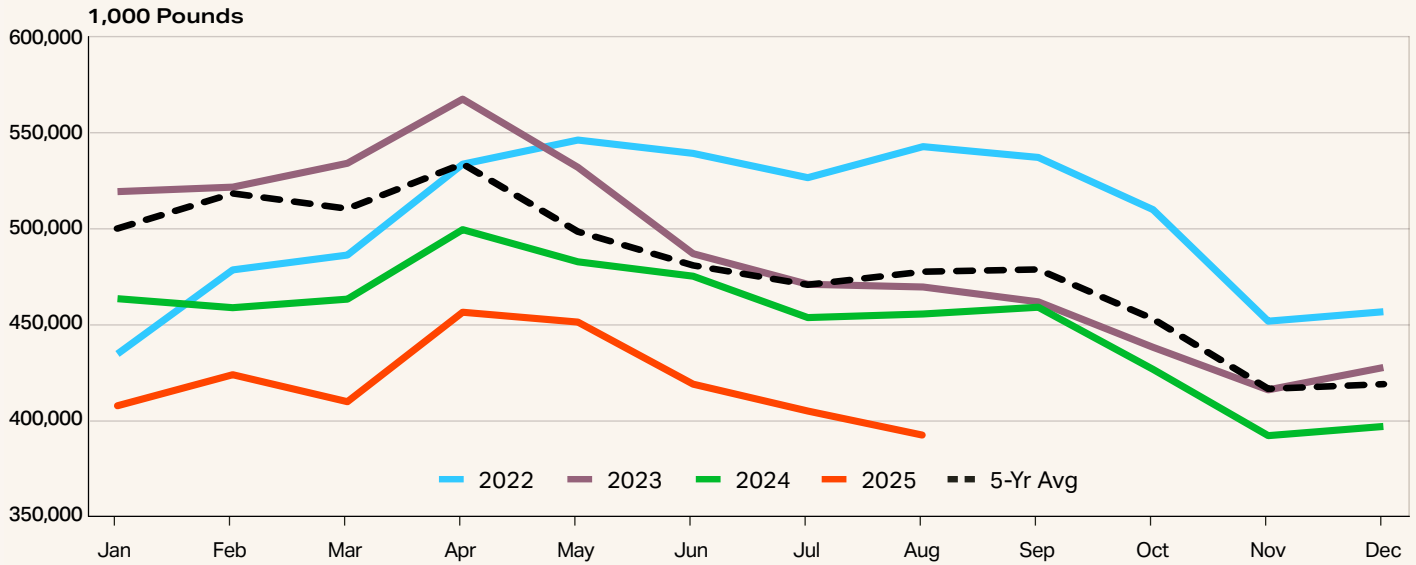
As of August 2025, pork stocks in cold storage totaled approximately 393.9 million pounds — down 2.7% from July, 13.5% below year-ago levels, and 17.5% below the 5-year average. This marks the lowest end-of-August cold storage level since 2010, and the fourth-lowest since 2000, underscoring a tight supply environment that has supported elevated price levels.

YTD hog slaughter is running about 1.2% below last year’s pace. The decline is largely attributed to a more active PRRS (Porcine Reproductive and Respiratory Syndrome) outbreak during the first half of the year, along with producers marketing hogs at lighter carcass weights. As we transition into the fall and winter months, slaughter volumes are expected to rise, with dressed weights trending upward in line with seasonal patterns.

Historically, hog prices tend to soften in Q4 due to seasonal demand, increased slaughter activity, and market recalibration following the summer grilling season.

USDA Stocks in Cold Storage

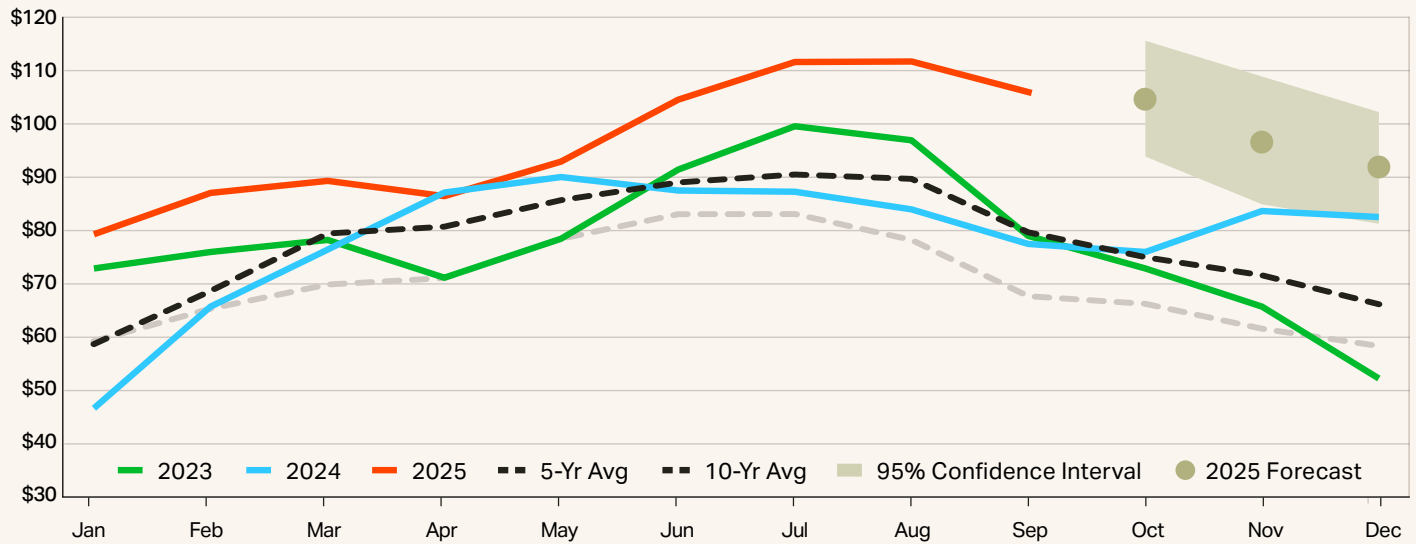
Total Frozen Pork



Sources: USDA, Terrain

Base Slaughter Hog Prices

National Carcass Price, Monthly Forecast



Sources: USDA, Terrain

I anticipate October hog prices to average in the lower \$100/cwt range, declining to around the upper-\$80/cwt to lower-\$90/cwt range by December. However, a wide range of outcomes remain possible as consumer demand and trade policy shifts could significantly influence final price levels. Despite the seasonal decline, these projected prices remain above the 5- and 10-year historical averages for Q4.

If December hog prices average in the range of \$88-\$92/cwt, the corresponding cutout value would likely be around \$97/cwt-\$102/cwt. Last year, the December cutout averaged over \$93/cwt, but current levels of pork in cold storage are trending lower than levels during Q4 2024.

What would it take for the cutout to reach \$97/cwt in December? So far this year (through September), primal values generally have outperformed their historical benchmarks. On average over the past nine months: hams are 18% above their 5-year average, bellies 17.5%, butts 7.7%, picnics 15.1%, and ribs 5%, while loins are down 1.1%.

If these YTD spreads over each primal's 5-year average hold through year's end, projected values would be: loins at \$78-\$79/cwt, butts above \$107/cwt, picnics over \$84/cwt, ribs above \$134/cwt, hams around \$96.50/cwt, and bellies above \$122/cwt. At these levels, the cutout could be supported in the mid \$90/cwt range, contributing to an annual average cutout value for 2025 in the low \$100/cwt range.

The biggest wild card heading into December is whether hams and bellies can maintain their current premium over their 5-year average. Ham values may find support from cold storage inventories, which are 14% lower year-over-year, alongside steady demand. Likewise, bellies in cold storage are 8% lower year-over-year. Conversely, picnic values — currently 21% higher than last year — could face downward pressure, as cold storage levels are 4% higher than a year ago.

Q4 CUTOUT FORECASTS:

- October: \$110 to \$115 (Estimated range with high confidence: \$104 to \$125)

- November: \$103 to \$108 (Estimated range with high confidence: \$94 to \$120)
- December: \$97 to \$102 (Estimated range with high confidence: \$90 to \$113)

PRIMAL CUTOUT HIGHLIGHTS

- **Hams (Currently \$102.20/cwt):**
Strong export and retail demand have pushed weekly values approximately 16% above the 5-year average and 37% above the 10-year average. Low cold storage inventories and renewed demand from Mexico are expected to support near-term pricing heading into Q4.
- **Loins (Currently \$97.29/cwt):**
Weekly values are slightly above their 5-year average at 3%. Prices are expected to hold steady or soften slightly in Q4, following seasonal trends as consumer demand tapers with the end of the summer grilling season. Cold storage supplies are below last year's levels by 7%.
- **Bellies (Currently \$168.84/cwt):**
Weekly values stand at 19% and 32% above the 5- and 10-year averages, respectively. Prices are likely to remain stable in the near term, though seasonal softness is expected in Q4. Cold storage levels are tight — approximately 8% below last year — reflecting strong consumer demand, with retail activity providing some price support.
- **Ribs (Currently \$172.09/cwt):**
As of the end of September, weekly values were 36% and 40% above the 5- and 10-year averages, respectively. While prices remain elevated, moderation is expected as post-Labor Day demand eases. Continued strength from foodservice and export markets is helping to stabilize values. Cold storage is 6% lower than last year's levels.
- **Butts (Currently \$125.74/cwt):**
Prices are expected to stabilize in Q4 in line with seasonal patterns. Increased demand for pulled pork during football season is expected to support pricing and absorb additional production. Values are currently 20% above their 5-year average and 28% above their 10-year average. Cold storage levels are 6% below last year.

IMPLICATIONS AND CONSIDERATIONS FOR PRODUCERS

U.S. pork producers are showing restraint. In the September Hogs and Pigs Report, USDA lowered the inventory for all hogs and pigs by 1% from last year while the breeding herd declined 2% from last year — confirming that expansion is not taking place and indicating some contraction in the market. Farrowing intentions were all lower as well.

Producers have reason to believe the market is supporting elevated futures. Still, the risk of a correction remains.

At the end of August, pork in cold storage reached its lowest seasonal level since 2010 and was the fourth-lowest end of the August level over the past 25 years.

Domestic consumer interest has held up reasonably well, and some export markets are showing signs of improvement. However, elevated U.S. hog and pork prices are creating headwinds, particularly in key Asian markets where competitiveness is being challenged.

Taken together with long-managed-money positions, these fundamentals suggest potential upside for hog prices. Producers have reason to believe the market is supporting elevated futures. Still, the risk of a correction remains. While supply is tighter, demand is not bulletproof. A shift in market sentiment could trigger a rapid unwind of speculative long positions — especially as seasonal trends begin to soften.

If futures are trading near short-term highs, capturing gains now could help offset potential downside risk.

Managed money increased its net long position in lean hog futures and options by 186 contracts during

the week ending September 27, bringing the total to a record 142,444 contracts. Given this positioning, locking in current price levels through forward contracts or hedging strategies may be prudent. If futures are trading near short-term highs, capturing gains now could help offset potential downside risk. At the same time, maintaining flexibility with tools like options may allow producers to benefit from further price increases while limiting exposure if a speculative unwind occurs. As producers enter Q4, several key indicators and actions need to be considered:

- **Monitor Seasonal PRRS Trends Heading into Q4**
PRRS pressures were notably active during the first half of 2025, but outbreaks declined significantly in July and August — a typical seasonal trend. Looking ahead, hog producers intend to have 2.86 million sows farrow between September and November 2025 and 2.82 million between December 2025 and February 2026, which suggests fewer breeding plans than in 2024. A widespread or an inactive seasonal PRRS outbreak could add to price volatility in 2025 and in 2026.
- **Leverage the Forward Crush Curve**
With hog prices remaining strong and feed costs trending lower, forward margins continue to look favorable for producers. Now is not the time to be complacent with risk management. Stay focused on deferred contracts and work closely with your insurance and marketing advisors to lock in profits as far forward as market conditions and risk management policies allow.
- **Take Advantage and Rebuild Balance Sheets and Working Capital**
With opportunities to secure profits in both 2025 and 2026, producers should prioritize rebuilding balance sheets and working capital after the low-margin years of 2023 and 2024. Strengthening financial positions now will help buffer against future cyclical downturns and position operations to capitalize on opportunities — especially as the Federal Reserve considers whether to lower interest rates.

APPENDIX (CRUSH MARGIN, NEXT 12 MONTHS)

Hog Crush Margin, Next 12 Months, Market Prices as of 9/26/2025

Placement	Futures Contract	Lean Hog Futures (\$/CWT)	Hog Basis (3-Yr. Avg)	Hog Price w/Basis	Revenue (\$)	Weaned Pig Price (\$/hd.)	Pig Cost (F-W) (\$/hd.)	Corn Price, Basis Adj. (\$/bu.)	Soybean Meal Price, Basis Adj. (\$/lb.)	Corn Cost (\$/hd)	Soybean Meal Cost (\$/hd)	Other Feed & Processing Costs (\$/hd)	Total Feed + Pig Cost (\$/hd)	Total Fixed Cost (\$/hd)	Hog Crush Margin (W-F) (\$/hd)	Hog Crush Margin (F-F) (\$/hd)
May-25	Oct-25	\$101.15	\$2.36	\$103.51	\$217.37	\$54.62	\$45.00	\$3.88	\$0.13	\$34.91	\$14.68	\$34.00	\$138.21	\$30.00	\$49.16	\$58.78
Jun-25	Nov-25	\$96.08	\$2.98	\$99.06	\$208.03	\$51.88	\$45.00	\$3.82	\$0.13	\$34.41	\$14.50	\$34.00	\$134.79	\$30.00	\$43.24	\$50.12
Jul-25	Dec-25	\$91.00	\$2.35	\$93.35	\$196.04	\$49.14	\$45.00	\$3.81	\$0.13	\$34.26	\$14.39	\$34.00	\$131.78	\$30.00	\$34.25	\$38.39
Aug-25	Jan-26	\$91.57	\$(3.61)	\$87.96	\$184.72	\$49.45	\$45.00	\$3.85	\$0.13	\$34.61	\$14.49	\$34.00	\$132.54	\$30.00	\$22.17	\$26.62
Sep-25	Feb-26	\$92.13	\$(4.56)	\$87.57	\$183.90	\$49.75	\$45.00	\$3.93	\$0.13	\$35.36	\$14.48	\$34.00	\$133.59	\$30.00	\$20.31	\$25.06
Oct-25	Mar-26	\$93.24	\$(3.61)	\$89.63	\$188.22	\$50.35	\$45.00	\$4.00	\$0.13	\$35.96	\$14.42	\$34.00	\$134.73	\$30.00	\$23.50	\$28.85
Nov-25	Apr-26	\$94.35	\$(3.72)	\$90.63	\$190.32	\$50.95	\$45.00	\$4.05	\$0.13	\$36.45	\$14.62	\$34.00	\$136.01	\$30.00	\$24.31	\$30.26
Dec-25	May-26	\$96.28	\$(3.65)	\$92.63	\$194.52	\$51.99	\$45.00	\$4.10	\$0.13	\$36.93	\$14.81	\$34.00	\$137.73	\$30.00	\$26.80	\$33.79
Jan-26	Jun-26	\$103.75	\$(3.54)	\$100.21	\$210.44	\$56.03	\$45.00	\$4.15	\$0.14	\$37.36	\$15.00	\$34.00	\$142.39	\$30.00	\$38.05	\$49.08
Feb-26	Jul-26	\$103.43	\$(2.36)	\$101.07	\$212.25	\$55.85	\$45.00	\$4.19	\$0.14	\$37.71	\$15.18	\$34.00	\$142.75	\$30.00	\$39.50	\$50.35
Mar-26	Aug-26	\$101.65	\$4.15	\$105.80	\$222.18	\$54.89	\$45.00	\$4.22	\$0.14	\$37.98	\$14.92	\$34.00	\$141.79	\$30.00	\$50.39	\$60.28
Apr-26	Sep-26	\$92.92	\$2.18	\$95.10	\$199.71	\$50.18	\$45.00	\$4.24	\$0.14	\$38.16	\$15.51	\$34.00	\$137.84	\$30.00	\$31.87	\$37.04
														12-Month Avg	\$33.63	\$40.72

Assumptions (Target Weight: 280lbs.; Carcass Weight: 210lbs.):
Hog Basis: 3-yr. average Lean Hog IA/MN; Weaned Pig Price: 54% of 6-month forward futures
Corn Price: Avg. 6 months forward futures; Corn Basis: -0.25; Corn: 9bu./hog
Sube Mem for futures Sobe Meal Basis = \$15/ton. Soybean Meal: 110lbs /hog
Other Feed and Processing Costs: 3-year avg. wean-to-finish returns from Iowa State University
"F-W" refers to "Farrow-to-Wean," "W-F" refers to "Wean-to-Finish," "F-F" refers to "Farrow-to-Finish"



ABOUT THE AUTHOR



Matt Erickson is a Terrain senior analyst focusing on macroeconomics and the grain, oilseed and swine sectors. He previously was agriculture economic and policy advisor for AgCountry Farm Credit Services, Farm Credit Services of America and Frontier Farm Credit. He also served in economist roles for the U.S. Senate Committee on Agriculture, Nutrition and Forestry, American Farm Bureau Federation and U.S. Department of Agriculture.

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