

Hog Margin Outlook

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Wednesday, March 11, 2020

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Forward contract prices opened mostly lower this morning. US

cash markets are all higher for the first time since last Friday with ISM, WCB, and National regions up by \$1.12, \$1.24, and \$1.11 USD/cwt, respectively. There are anecdotal reports that some cuts destined for export are starting to pick up steam, but the aggregated pork cut-out values have been mixed on the daily reports. While the majority of the cuts have seen some support this week (including bellies), the all-important ham primal remains under pressure relative to the previous week which is somewhat seasonal in nature, but disappointing nonetheless, as the primal makes up approximately 25% of the value of the carcass. The supply of live hogs and the pork subsequently produced from them remains ample heading into the spring. Lean hog futures have somewhat backed off from yesterday's trajectory upward but are higher to start the session (except for the nearby, April contract which is lower as of this writing). Follow through buying is being kept in check by the expectation of large production on the way and a demand profile from all channels that has yet to draw down on the ample supplies. All eyes will be on tomorrow's Export Sales report (released before the futures markets open) to see if an increase in Chinese committed (or delivered) volumes materializes as a result of the tariff exemption certificates available to private buyers that were available for application on March 2. In other news, the Saudi Arabian announcement that they will increase oil production has impacted economic projections in Canada as at least three provinces rely somewhat heavily on the energy sector for revenues; potential impacts of the recent Covid-19 outbreak are also pressuring. The Canadian dollar has subsequently dropped approximately \$1.75 USD in currency markets in the last four sessions (a significant and notable drop), but 'added' about \$4.25 to the value of a live hog in CAD/kg when conversions are applied. Producers should note that while the strength in lean hogs has contributed to the value of forward contracts in recent days, the Canadian dollar is behind about \$4.00 of that price (more or less) depending on the value of the underlying futures contract.

Canadian delivered soymeal prices opened mixed this morning.

Yesterday's WASDE report was neutral relative to expectations with ending stocks estimates coming in at 425 million bu compared to the pre-report average of 435 million bu. and equal to last month's numbers. The only categories to change were a 3 million bu adjustment to Seed and Residual categories that 'cancelled' each other out for a net change of zero. Of note, ending stocks estimates are the lowest for this month's estimates going back to 2015 but increased production estimates in South America could offset potential price supports further out.

US corn futures opened lower this morning.

Like beans, yesterday's WASDE report was considered neutral relative to expectations. No changes to any category in the report were made relative to the February numbers, and ending stocks are still pegged at 1.892 billion bu. against a pre-market expectation of 1.888 billion bu. Ending stocks estimates are relatively steady with the recent trends and the third highest estimate for the March report going back to 2010.

US Slaughter	
498,000	Tuesday
478,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$52.79
W. Corn Belt	\$52.78
National	\$61.11
ML Signature 5	\$140.90
HyLife (prev. day)	\$148.95
TCP/BP2	\$140.90
BP4/TCP4	\$146.26
BoC Rate (Noon) prev. day \$1.3598 CAD / \$0.7300 USD	
Cash Prices Week Ending March 7, 2020	
Signature 3	123.99/56.24
Signature 4	142.39/64.59
Signature 5	133.19/60.41
h@ms Cash	140.39/63.68
HyLife	140.13/63.56
BP4/TCP4	141.19/64.04
2020 Top-Up (YTD Rolling Est.) \$11.21 CAD/ckg	
ISO Weans \$28.00 US Avg.	
Feeder Pigs \$55.48 US Avg.	

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		154.67 156.14	161.75 177.13	181.28 189.33	188.45 190.88	170.81 191.08	160.32 165.20	157.99 164.13	152.14 155.06	151.65 155.06
Maple Leaf Sig 5		146.72 149.94	156.64 172.51	177.43 185.24	183.60 184.84	154.39 185.16	145.27 149.98	141.62 153.74	133.07 137.66	135.60 138.89
Soymeal Delivered Wpg/S.Man	482	489	489	494	494	495				

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2020 District Meetings	Date	Time	Location
Saskatchewan	Tuesday, March 17	12:00 Noon	Coast Hotels - 905 North Service Road East, Swift Current
H.B./Heartland Marketing	Thursday, March 19	2:00 P.M.	Starbuck Community Hall - 25 Main Street, Starbuck
Manitoba	Friday, March 20	12:00 Noon	Smitty's Restaurant - Clear Spring Centre, Steinbach
Alberta	Tuesday, March 24	12:00 Noon	Travelodge - 350 Ridge Road, Strathmore