

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, March 13, 2020

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## Forward contract prices opened mostly mixed this morning. US

cash markets are mixed to finish the week with ISM and WCB down by \$0.03 and \$0.18, respectively, while the National region is up by \$0.09 USD/cwt relative to the previous day. An overall upward trajectory has been witnessed this week, but cash values are still at seasonal lows for this marketing week. Despite the lows, values are improving...so far; National is now 'only' down by 8% and WCB is 13% lower relative to the seasonal cash trend which is a notable improvement compared to only a couple weeks ago. Weekly cash settlement base prices in USD/cwt saw the National up by \$0.99 while the WCB saw a \$2.37 increase relative to the previous week with the larger move in the WCB subsequently tightening up the spread between the two regions. In terms of a trend, values in both regions are now statistically equal with lowest week that typically develops in the middle of April on average before the seasonal spring rally develops. Of course, individual years can behave much differently and now that Covid-19 is a threatening development in North America, a new bottom could materialize and/or the spring rally could be 'pushed back'. In recent memory, the latest time that cash support was seen was in the last week of April 2017, or six weeks from now in terms of marketing weeks. But this year has seen some complications that could disrupt the industry and subsequently depart from the historical trends. Lean hog futures initially were residing amid the limit level lows that were reached yesterday but have plunged lower as of this writing. A 'bounce' like the ones seen in the indexed markets this morning did not in lean hogs, and optimism appears to be remote. To recap, the major issues are potential demand \*and\* supply disruption due to the Covid-19 outbreak which is nowhere near over, thoughts that the global economy could be tipped into a recession (Covid-19 and Saudi Arabia 'oil shocks' influencing here), massive domestic supplies that need to clear the market, and an export profile that while so far good, has not seen enough demand to draw down available supplies. Yesterday's Export Sales report additionally saw an ~42,000 MT \*cancellation\* from China that led to much speculation. It will likely take some time for the issues noted above work their way through the market before more certainty, let alone optimism, returns to lean hog futures.

## Canadian delivered soymeal prices opened higher this morning.

Commodity markets remain under pressure and US soybean futures are no exception. While beans are trading mixed as of this writing, the nearby contract was under pressure yesterday while traders rolled into the next month and witnessed the second lowest closing value for the contract. Only May 13, 2019 closed lower on the day; recall that the nearby contract expires today. Fundamental speculation is front and centre further out with Covid-19 complications impacting export demand and logistics while a broader concern regarding an economic slowdown is weighing on the trade.

## US corn futures opened higher this morning. US corn futures are seeing

some support but not after seeing some pressure that pushed values to contract lows yesterday. There have been lower values for the nearby contract as September of 2019 and February of 2020 both came in lower in some sessions, but support levels appear to have held. Like beans, US corn needs a positive demand (or negative supply) story to develop and while physical exports of corn were one of the lone bright spots in yesterday's export sales report, a lot of supply is expected and demand needs to pick up notably.

US Slaughter	
496,000	Thursday
452,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$54.46
W. Corn Belt	\$54.27
National	\$61.27
ML Signature 5	\$144.20
HyLife (prev. day)	\$148.83
TCP/BP2	\$144.20
BP4/TCP4	\$150.92
<b>BoC Rate (Noon) prev. day</b> \$1.3820 CAD / \$0.7240 USD	
Cash Prices Week Ending March 14, 2020	
Signature 3	132.42/60.07
Signature 4	147.68/66.99
Signature 5	140.05/63.53
h@ms Cash	145.68/66.08
HyLife	N/A
BP4/TCP4	142.39/64.59
<b>2020 Top-Up (YTD Rolling Est.)</b> \$10.88 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		147.50 148.98	153.98 169.49	173.68 181.80	181.06 183.52	163.95 183.65	153.37 158.29	149.82 156.61	143.94 146.88	143.45 146.88
Maple Leaf Sig 5		139.33 142.58	148.67 164.68	169.64 177.52	176.02 177.27	147.25 177.52	138.04 142.80	133.22 146.03	124.63 129.24	127.17 130.48
Soymeal Delivered Wpg/S.Man	485	490	490	491	491	491				

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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