



# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, March 18, 2020

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**Forward contract prices opened mostly higher this morning.** US cash markets are higher with ISM, WCB, and National regions up by \$2.09, \$2.01, and \$1.09 USD/cwt, respectively. The seasonal tightening of live supplies is still likely about five or six weeks away if the historical trend is maintained (on average) so the support is likely not due to that event quite yet. There are anecdotal reports surfacing that the National Weekly Pork report (plant – export sales) is revealing that some individual cuts are showing strength which could, in part, be a factor. But despite the generally upward trend witnessed over the past couple weeks, the cash market has remained two-sided and choppy and the current trend could be broken at any time if Covid-19 complications impact anything from demand to logistics. Normally, we would be offering some forward-looking commentary on the direction of the cash market for the next couple weeks at this time of year, but there are too many uncertainties amid the Covid-19 outbreak and the picture is far from clear. Producers heavily in the cash market should likely be prepared for some counter-seasonal weakness, although that is certainly not guaranteed either. The April lean hog futures contract continues on the upward trajectory seen over the past couple days and is trading higher than yesterday's close as of this writing, but the deferred contracts were under some pressure at the open. The market still is residing amid contract lows, on balance, but it has recovered from the bottom that was put in on Monday. Compared to cash market histories, futures contracts came in 18% lower than the benchmark on Monday but are now 'only' 10% lower than the average cash settle value, suggesting a recovery could be in the works. The Canadian dollar continues to lend support and is currently trading under the 70 cent (USD) level which hasn't been seen in recent memory. The move has added approximately \$13-\$18 to the value of a forward contract price depending on the marketing week (underlying futures). In other words, Canadian forward contract prices would be between ~\$13-\$18 \*lower\* than current compared to a 77-cent CAD seen at the beginning of the year.

**Canadian delivered soymeal prices opened higher this morning.**

US soybean futures are higher after seeing recent pressure due to demand concerns and capital flight in part due to the ongoing Covid-19 virus uncertainty. Meal prices are also higher but the recent price increase for Canadian meal prices is also due (in part) to the value of the Canadian dollar. Compared to a 77-cent CAD seen in January, meal prices are about \$47 higher today while the dollar trades in the 70-cent range and \$34 higher than a 75-cent CAD seen at the end of February. Rule of thumb rough estimate in the current market: a one cent move in the CAD influences an approximate \$6.50 move in the value of Canadian meal regardless of direction.

**US corn futures opened lower this morning.**

US corn futures continue to push lower on increasing demand concerns. The export picture has been relatively good when comparing it to other US commodities for export, but the export picture only makes up about 15% of demand for US corn. There are anecdotal reports that issues in the ethanol sector are seeing some smaller refiners shutter plants in an issue related to the renewable fuel standard (RFS). If the trend continues, demand from the ethanol sector could be an issue for US corn further out; ethanol typically utilizes about one third of the US corn crop on average or approximately double the volume seen in the export channel.

<b>US Slaughter</b>	
497,000	Tuesday
465,000	Year Ago
<b>Daily Prices</b>	
Iowa/S. MN.	\$55.82
W. Corn Belt	\$55.74
National	\$62.87
ML Signature 5	\$151.50
HyLife (prev. day)	\$154.51
TCP/BP2	\$151.50
BP4/TCP4	\$158.18
<b>BoC Rate (Noon) prev. day</b> \$1.4175 CAD / \$0.7054 USD	
<b>Cash Prices Week Ending March 14, 2020</b>	
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	147.12/66.73
BP4/TCP4	142.39/64.59
<b>2020 Top-Up (YTD Rolling Est.)</b> \$10.88 CAD/ckg	
ISO Weans \$25.36 US Avg.	
Feeder Pigs \$55.44 US Avg.	

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		152.14 153.67	144.20 160.33	164.69 173.14	175.58 178.13	162.04 179.87	151.06 156.17	149.91 155.01	143.79 146.85	143.27 146.85
Maple Leaf Sig 5		143.62 147.00	138.41 155.07	160.23 168.43	170.15 171.45	144.58 173.34	135.03 139.96	132.53 143.86	123.58 128.38	126.22 129.67
Soymeal Delivered Wpg/S.Man	517	514	514	511	511	509				

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**All h@ms Marketing 2020 District meetings have been CANCELLED**