

Hog Margin Outlook

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Friday, March 20, 2020

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Forward contract prices opened mostly mixed this morning. US

cash markets are mixed to finish the week with the negotiated regions backing off from the recent trend upward while the National region continues on it tack upward by \$0.83 USD/cwt. Weekly base prices calculated yesterday afternoon for week ending March 21 (published today) reveal that a trend upward is currently in place and the reference regions are making incremental weekly gains...so far. Demand disruption due to the ongoing Covid-19 outbreak could surface later especially if the 'extra' demand due to consumer stocking up backs off (initiated as a hedge against presumed and stricter 'shelter in place' implementation). While there are anecdotal reports that fresh meat originally destined for foodservice and restaurants is currently be rerouted to retail amid many restaurant and facility closures, there are questions if the retail demand at the grocery level will 1) offset the fall in demand typically seen in foodservice and restaurants, and 2) if consumers will maintain their current purchasing pace, which seems unlikely longer term; folks will have to use it up at some point. There is not enough space in this column to address the many issues associated with these peculiarities, but the situation is being actively discussed and monitored, and the full impacts have yet to be revealed. Lean hog futures gapped higher at the open on follow-through buying from yesterday's limit up session (nearby contract) but are moderating somewhat as of this writing. Markets remain extremely volatile in recent days with the market trading to daily limit moves (or expanded limits) in five of the last seven sessions for at least two contracts and four out of seven in the summer months. We should note while the moves have been typically lower, there have two limit up days as well (including yesterday) highlighting the uncertainty in the marketplace. The net result (so far) sees lean hog futures finishing the week *only* 7% lower than the comparable, average cash settlement histories which is an improvement over the lows put in at the beginning of the week.

Canadian delivered soymeal prices opened lower this morning. US soybean futures have seen day over day gains recently since contract lows were put in on March 16. The following days saw the trade linger near the lows but did not push lower suggesting a new support level has been established for now. A combination increasing bean prices, increasing soymeal prices, basis changes, and the weakened Canadian dollar has seen the price of Canadian meal shoot up notably with just the move of the CAD contributing to approximately \$35 CAD/MT by itself.

US corn futures opened higher this morning. Like beans, US corn futures are higher to finish the week, but the recovery only developed yesterday. US corn needs to see a positive demand story in order for more support to materialize. While exports have been good relatively speaking, the pace is still at the lower end of the historical ranges and mounting ethanol industry issues domestically are adding pressure to the market. There is talk that China could ramp up ethanol purchases as part of its Phase One commitments, but that has yet to fully develop. Chinese imports of sorghum and DDGs have provided some optimism recently.

US Slaughter	
494,000	Thursday
482,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$56.05
W. Corn Belt	\$56.20
National	\$64.34
ML Signature 5	\$157.47
HyLife (prev. day)	\$164.23
TCP/BP2	\$157.47
BP4/TCP4	\$165.62
BoC Rate (Noon) prev. day \$1.4495 CAD / \$0.6900 USD	
Cash Prices Week Ending March 21, 2020	
Signature 3	144.29/65.45
Signature 4	158.51/71.90
Signature 5	151.40/68.67
h@ms Cash	156.51/70.99
HyLife	N/A
BP4/TCP4	147.68/66.99
2020 Top-Up (YTD Rolling Est.) \$10.57 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		157.86 159.37	146.21 162.16	166.46 174.81	179.21 181.74	165.19 182.67	154.32 159.38	152.81 158.37	146.74 149.78	146.24 149.78
Maple Leaf Sig 5		149.56 152.91	140.56 157.02	162.12 170.22	173.93 175.22	147.99 176.29	138.54 143.42	135.67 147.40	126.81 131.56	129.43 132.84
Soymeal Delivered Wpg/S.Man	535	535	535	525	525	519				

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All h@ms Marketing 2020 District meetings have been CANCELLED