

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, March 30, 2020

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Forward contract prices opened mostly lower this morning.

Daily US cash markets are lower to start the week with ISM, WCB, and National regions down \$0.92, \$0.79, and \$0.64 USD/cwt, respectively, relative to the previous day. Daily cash is still higher than the weekly benchmark that saw reference regions make gains over \$3.00 USD/cwt compared to the previous week. However, if cash pressure gains steam, the market could be setting up for a counter seasonal move lower, compared to history, especially if the increase in recent demand at the retail/grocery level is not sustained and does not offset the weakness in restaurant and foodservice that has materialized due to the recent Covid-19 outbreak. Daily cutout values are mixed as domestic distribution channels remain disrupted. Loins, butts, picnics, and ribs remain at historically high levels, but have backed off relative to last week. Bellies and hams, on the other hand, have seen significant weakness and are trading amid historical lows. Restaurant and foodservice have been estimated to utilize approximately 70% of the belly primal so the move lower is likely a function of poorer demand from the sector combined with historically high cold storage volumes that are some 50% higher than the five-year average. Supplies remain ample in the meantime, highlighted by the recent Quarterly Hogs and Pigs report, and last week's kill came in 8.9% higher than year ago. Lean hog futures continue the downward trend to start the week and futures contracts are down 18.1% relative to a weekly five-year average benchmark in USD/cwt as of this writing. Canadian forward contract prices have seen an approximate \$30 CAD/ckg loss in value ('nine-month' contract, on average) compared to only a few weeks ago. While the market was looking to exports to alleviate abundant domestic supplies, the focus is now very much trained on domestic demand disruptions and bracing for an economic downturn further out that is likely on the way. In more 'local' news, it was announced over the weekend, that a processing plant in Quebec (Olymel, Yamachiche, PQ) has been shut down for 14 days due to a Covid-19 outbreak that saw nine employees test positive for the virus. More information will be released as it becomes known. There have been no reported cases or closures in federally inspected, Western Canadian plants as of this writing.

Analysts' Expectations vs. March Quarterly Hogs and Pigs Report			
	Range of estimates (% of 2019)	Avg. Pre-report	USDA Report
All hogs	102.8-103.7	103.4	104.0
Breeding	100.5-102.0	101.4	100.4
Marketing	102.9-103.8	103.5	104.3
>180 lbs.	104.1-106.2	105.4	106.5
120-179 lbs.	103.0-105.3	103.8	103.9
50-119 lbs.	100.8-103.6	102.7	103.6
<50 lbs.	102.2-103.5	102.9	104.0

Source: citing Reuters in DLR; USDA-NASS

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are higher to start the week, but the recent moves are hardly a rally and the market is currently trading in a relatively sideways trend compared to the past five sessions. Recession fears and demand concerns are pressuring but reports of some Argentine port closures due to Covid-19 containment attempts are supportive. Other than some restrictions on ship personnel, Brazil ports largely remain open for cargo at present.

US corn futures opened lower this morning. US corn continues to be pressured from lack of a demand story and, more recently, ideas that some ethanol plants are considering shuttering operations. Issues related to the renewable fuel standard (RFS) as well as low energy prices will likely keep pressure on US corn for the foreseeable future. Ethanol utilizes approximately one third of the US corn crop annually and about twice the volume typically seen in exports, which are so far seasonal, but comparatively low.

US Slaughter	
2.754 mil.	Monday
2.528 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$58.57
W. Corn Belt	\$58.46
National	\$67.97
ML Signature 5	\$160.09
HyLife (prev. day)	\$168.39
TCP/BP2	\$160.09
BP4/TCP4	\$169.57
BoC Rate (Noon) prev. day \$1.4056 CAD / \$0.7114 USD	
Cash Prices Week Ending	
March 28, 2020	
Signature 3	153.95/69.83
Signature 4	169.58/76.92
Signature 5	161.76/73.37
h@ms Cash	167.58/76.01
HyLife	169.84/77.04
BP4/TCP4	158.51/71.90
2020 Top-Up (YTD Rolling Est.) \$10.36 CAD/ckg	
ISO Weans \$16.09 US Avg.	
Feeder Pigs \$46.36 US Avg.	

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4			120.69 136.50	140.77 149.05	153.55 156.07	141.62 157.87	130.82 135.84	130.97 134.48	125.33 128.34	124.83 128.34
Maple Leaf Sig 5			114.68 131.01	136.06 144.10	147.90 149.18	124.16 151.14	114.76 119.61	114.02 123.24	105.24 109.95	107.83 111.22
Soymeal Delivered Wpg/S.Man	544	544	544	537	537	528				

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All h@ms Marketing 2020 District meetings have been CANCELLED