

# Hog Margin Outlook

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Tuesday, March 31, 2020

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**Forward contract prices opened mostly mixed this morning.** US cash markets are lower with ISM, WCB, and National regions down \$1.80, \$1.65, and \$1.38, respectively, in USD/cwt. While it is much too early to call it a trend, the weakness marks the second consecutive day this week cash prices have moved lower and if they continue on this tack, weekly reference prices \*may\* come in lower when settlement prices for week ending April 4 are calculated Thursday afternoon, compared to last week. While cash prices have pushed lower in other years at this marketing week, this year's move would buck the recent trend and potentially mark a counter seasonal move lower if the pressure lasts. Covid-19 demand pull initially resulted in some empty grocery shelves and a spike in some of the more domestic-oriented primal cuts. However, there has been a recent backing-off seen in the cutout and anecdotal evidence that meat cases are being replenished suggesting the initial demand spike seen earlier could turn out to be a very short-term event. Producers should not expect a normal (or seasonal) increase in cash markets as is often the case at this time of year. While further downside is not guaranteed, there is substantial disruption and uncertainty at this time. Lean hog futures are trading mixed as of this writing following four sessions of consistent weakness across all contracts and multiple days of trading to daily (and into expanded) limits lower. The April contract has not yet breached recent support levels, but the deferred contracts have all plunged to new lows. Compared to the average cash settlement five-year average in the expiration week, April, May, June, July, and August contracts are down 18%, 27%, 25%, 21%, and 17%, respectively; October and December are 15% lower. Does today's support in some contracts mark the beginning of a recovery or define the bottom? It is much too early to tell, but even as the market trades mixed this morning, the contracts moving lower are doing so at less intense pace suggesting a near-term bottom could be developing.

**Canadian delivered soymeal prices opened lower this morning.** Prospective Planting and Grain Stocks reports will be released mid-trade today. A Bloomberg poll suggests the market is looking for bean acreage to come in at 85.0 million acres as an average guess, while stocks are estimated at 2.228 million bushels. US soybean futures are once again trading under pressure ahead of the release of these reports but maintaining the recent trend which is ~\$0.60 USD/bu higher than the recent lows put in last week.

**US corn futures opened lower this morning.** Like beans, US corn futures are trading lower ahead of the USDA reports that will be released later this morning. The action may have a bit to do with pre-report positioning, but recent weakness in commodity markets due to Covid-19 and energy markets due to low crude prices, not to mention a weaker demand outlook are all pressuring features. Panted acreage is currently estimated at 94.4 million acres and stocks at 8.134 million bushels according to analysts ahead of the reports.

US Slaughter	
491,000	Tuesday
475,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$56.77
W. Corn Belt	\$56.81
National	\$66.59
ML Signature 5	\$157.36
HyLife (prev. day)	\$164.80
TCP/BP2	\$157.36
BP4/TCP4	\$167.31
<b>BoC Rate (Noon) prev. day</b> \$1.4156 CAD / \$0.7064 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
<b>2020 Top-Up (YTD Rolling Est.)</b> \$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			118.35 134.24	138.53 146.86	152.68 155.20	141.84 158.05	130.99 136.04	132.27 135.82	127.96 131.00	127.45 131.00
Maple Leaf Sig 5			112.26 128.67	133.75 141.83	146.98 148.26	124.30 151.29	114.87 119.74	116.52 124.44	107.63 112.40	110.26 113.69
Soymeal Delivered Wpg/S.Man	542	542	542	536	536	529				

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