

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, April 8, 2020

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Forward contract prices opened mostly mixed this morning. US cash markets are once again lower this week with the daily prices down \$0.20, \$0.18, and \$1.78 USD/cwt in the ISM, WCB, and National regions, respectively. The extent to which the negotiated regions (ISM and WCB) have seen declines has subsided today which is generally considered a positive sign as these regions typically 'lead' the trend either higher or lower in volatile markets while the National region typically lags; a 'backing off' could represent some price stabilization. Regardless, daily cash values are either near (National) or at (WCB) historical weekly pricing lows and it is almost certain that cash settlement base prices will be lower than last week's values when calculated later this week. Only a sharp move higher would prevent a lower weekly average price which appears unlikely at this time. Normally, analysts (including us) would start to comment on seasonal tightening of supplies, increased demand in the domestic channel, and where cash prices 'could' end up in the next couple weeks and months. For reference, and despite some movement around the averages, cash regions typically see the high weeks develop around marketing week 25 (week ending June 20). Statistically speaking, National sees a 25% increase and WCB a 34% boost from this week out to week 25. However, cash markets are still probing for a bottom and while averages are good for establishing a guideline, 1) there is certainly no guarantee that history will be repeated, and 2) recoveries vary from year to year in any event, and are likewise not guaranteed (of note: the counter seasonal weakness seen in July of last year). Until demand profiles in a Covid-19 marketing environment become clearer, especially on the domestic front, cash markets will likely see some pressure in the coming weeks. News of plant closures due to virus outbreaks and slowing line-speeds are not helping matters. Lean hog futures are trading mixed as of this writing but also with a bearish tone as the early morning trends appear to be biasing lower. This marks a bit of a contrast seen over the past couple days of strength which saw limit-up levels reached yesterday. However, there is nothing fundamentally that would suggest a consistent recovery can be mounted at this time and futures contracts are still residing amid historical lows despite the moves seen over the past two days. Summer month contracts are ~30% lower than historical weekly settlement prices while October and December are 14% lower on average.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading higher but still residing amid contract lows. Support is coming from ideas that Brazil trucking volume is down by ~10% as a result of lower freight rates while Argentina is dealing with low trucking volume as workers are reportedly not showing up for shifts (likely Covid-19-related). The net result is a slowing of shipments from South America broadly speaking. Cooler weather in some US growing regions could delay planting activity as farmers wait for soil temperatures to increase.

US corn futures opened lower this morning. US corn futures are once again under pressure as the market attempts price in poor fundamentals (large expected supplies and weak demand) and increasing concerns on global economic health. Tomorrow, the April WASDE report will be released by the USDA with expectations of increasing old crop ending stocks as corn demand tapers off observing weak (but seasonal) export demand and troubles in the ethanol sector which typically utilizes over 30% of the corn crop annually.

US Slaughter	
482,000	Tuesday
478,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$40.11
W. Corn Belt	\$40.17
National	\$57.15
ML Signature 5	\$122.43
HyLife (prev. day)	\$142.09
TCP/BP2	\$122.43
BP4/TCP4	\$141.87
BoC Rate (Noon) prev. day \$1.3986 CAD / \$0.7150 USD	
Cash Prices Week Ending April 4, 2020	
Signature 3	137.57/62.40
Signature 4	166.28/75.42
Signature 5	151.92/68.91
h@ms Cash	164.28/74.52
HyLife	161.63/73.31
BP4/TCP4	169.58/76.92
2020 Top-Up (YTD Rolling Est.) \$10.64 CAD/ckg	
ISO Weans \$10.23 US Avg.	
Feeder Pigs \$46.36 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		97.60 108.99	114.00 121.97	129.82 131.08	122.92 139.43	113.61 118.41	117.54 122.27	108.82 113.49	111.40 114.76
Maple Leaf Sig 5		103.57 114.78	119.01 127.22	135.69 138.18	134.57 146.26	129.52 134.49	129.94 134.67	128.70 131.68	128.20 131.68
Soymeal Delivered Wpg/S.Man	492	492	498	498	497	497			

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h@ms Marketing Services will be closed

Friday, April 10 for Good Friday - Markets are closed and forward contracting is suspended.

The HMO and Opening Price reports will not be published on Friday.

On Monday, Risk Management is open but the office will have reduced staff levels.

Normal business resumes on Tuesday, April 14.