

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, April 13, 2020

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Forward contract prices opened mostly lower this morning. US

cash markets are lower to start the week with ISM, WCB, and National regions down by \$1.03, \$0.72, and \$1.45 USD/cwt, respectively. Weekly cash base prices for week ending April 11 are markedly lower at a time when support typically starts to return to the cash market. The National base price is \$8.56 lower while the WCB base is down by \$12.17 representing the largest week over week move in their respective regions witnessed including 2014. While the degree of pressure remains to be fully revealed, cash markets will likely continue to see ongoing pressure as the impacts of Covid-19 are now starting to surface more prominently in the processing sector. There have been reports of some plants moving previously scheduled maintenance shut-downs up to recent weeks, unscheduled shut-downs due to virus outbreaks in others (all meats), and in some regions, workers have been either 'calling out' sick or missing shifts as nervous employees attempt to avoid becoming sick with the virus. But the big news over the weekend was the announcement that the Smithfield Sioux Falls, South Dakota facility will close, and remain closed, until 'further notice'. This is a departure from the typical 14-day timeframes that have been observed in other regions leading to much speculation. The plant represents about 5% of US pork production (~10% of daily slaughter) and one of the concerns is that animals scheduled for delivery will subsequently start to back up, among other supply chain issues including servicing the domestic market. The full impacts of Covid-19 on the pork (and other meats) industry have yet to be uncovered and producers should likely prepare for some challenging times in the short-to-mid terms. Lean hog futures gapped lower at the open and the summer month contracts are locked at the newly expanded daily limit low as of this writing. Recall that in order to allow a greater range of price discovery amid volatile times, the CME Group expanded daily hog limits from \$3.00 to \$3.75 USD/cwt per session with expanded limits now set at \$5.50 (from the previous \$4.75). Those new limits went into effect today. The net result of all developments this weekend (and today) has been unprecedented pressure in both cash and futures markets that has likely not yet been fully revealed.

Canadian delivered soymeal prices opened lower this morning.

Ongoing Covid-19 developments continue to pressure the market which got very little help from the April WASDE report that was released last Thursday. Ending stocks came in at 480 million bu. against an average pre-report estimate of 430 million bu. and a 385 million to 475 million bu. range. The updated report adds 55 million bu. to the balance sheet compared to the March report.

US corn futures opened lower this morning. US corn futures continue to

see pressure as demand for US corn continues to be questioned longer term. The fate of some smaller ethanol plants is also under question as global economic health suffers which is complicated by the issue of low energy prices. While the OPEC+ group and other oil producers have agreed to curb production in a last-minute deal reached over the weekend, the supply cuts (about 10 million bbl/day) is likely not enough to make up for the drastic decrease in demand. The April WASDE report showed ending stocks coming in at 2.092 billion bu, up from the 2.004 billion pre-report estimate and 1.892 billion bu. last month.

US Slaughter	
2.407 mil.	Last Year
2.393 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$39.12
W. Corn Belt	\$39.33
National	\$52.94
ML Signature 5	\$116.12
HyLife (prev. day)	\$133.88
TCP/BP2	\$116.12
BP4/TCP4	\$131.42
BoC Rate (Noon) prev. day \$1.3985 CAD / \$0.4151 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 \$7.38 US Avg.	
Feeder Pigs \$32.69 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		102.43 107.88	111.10 121.76	126.50 130.21	131.03 136.52	124.59 129.05	122.83 124.61	120.66 122.63	120.16 123.26
Maple Leaf Sig 5		90.68 96.30	100.76 110.58	116.17 119.39	112.54 126.06	105.37 109.95	106.70 110.34	99.41 103.56	101.98 105.31
Soymeal Delivered Wpg/S.Man	481	481	489	489	491	493			

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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.