

Hog Margin Outlook

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Forward contract prices opened mostly higher this morning. US

cash markets are mixed mid-week with ISM and WCB regions down \$1.56 and \$2.20, respectively, while the National region gained \$0.33 USD/cwt relative to the previous day. Despite the support seen in the National region, pressure has not been relieved in the cash markets yet. It also does not represent a leading indicator as the negotiated regions typically lead the trends (either higher or lower) and both ISM and WCB remain under pressure in recent days; in other words, the cash bottom has not been discovered, nor has the National region 'caught up' to the trend. Demand disruption is front and centre as packing plants adapt to the drastic reduction in demand from restaurant and foodservice sectors while pivoting to retail customers which is further exacerbated by employee health and safety concerns that are slowing down line speeds and, in some cases, closing plants when Covid-19 outbreaks materialize. Daily concerns are now mounting about a backing-up of livestock that so far has yet to fully be revealed. For now, there are no widespread stories of producers unable to deliver or of euthanizing supply yet, but these concerns are mounting daily, and several analysts and industry groups are starting to sound the alarm more publicly. For now, price remains the best indicator of demand challenges facing processing plants (and of producer challenges more broadly) and further pressure is likely on the horizon. Lean hog futures are trading mixed this morning but the support that is developing in the contracts that are trading higher is fleeting and inconsequential. The good news is that the lows *may* have been put in place last Monday (April 6) as futures contracts have not yet closed below those levels seen in that session last week...so far. However, there is no guarantee that lows have been established and futures markets are still residing at historically low levels approximately 30% lower than five-year cash average settlements over comparable timeframes. This compares to values that were hovering around the averages only a few weeks ago and ~43% off the pace seen at the highs (on average) at about the same time last year. The summer months are taking the brunt of the pressure which are lower by almost 50% compared to the April highs in 2019. Like cash markets, futures contracts could remain under pressure for quite some time. Exports remain at historically high levels but are not at volumes needed to offset domestic demand weakness in the USA.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are holding support levels for now and are modestly higher relative to the previous day. The market still remains amid the lows, however, as negative fundamental news remains the flavor of the day. As well, China has not made significant purchases of US beans which is reinvigorating some new speculation regarding Phase One trade deal 'commitments', but as the global economy is rocked by the impacts of Covid-19, there is some question if any prior commitments are feasible in the short to mid-terms.

US corn futures opened lower this morning. US corn futures remain under

pressure in a refrain that is starting to sound repetitive. The nearby contract continues to push beyond earlier closing lows and is trading under \$3.20 USD/bu as of this writing. Added to a weak export profile and ethanol demand concerns, some analysts are now starting to suggest that corn demand used for feed could also be an issue especially if livestock challenges develop more fully.

US Slaughter	
450,000	Tuesday
475,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$35.39
W. Corn Belt	\$34.75
National	\$52.37
ML Signature 5	\$108.91
HyLife (prev. day)	\$128.45
TCP/BP2	\$108.91
BP4/TCP4	\$129.25
BoC Rate (Noon) prev. day \$1.3904 CAD / \$0.7192 USD	
Cash Prices Week Ending April 10, 2020	
Signature 3	105.23/47.73
Signature 4	143.70/65.18
Signature 5	124.46/56.45
h@ms Cash	124.46/64.27
HyLife	140.28/63.63
BP4/TCP4	166.28/75.42
2020 Top-Up (YTD Rolling Est.) \$11.21 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		99.33 104.82	108.06 118.79	126.71 130.45	136.06 141.55	130.33 134.32	128.42 129.92	125.93 127.92	125.43 128.92
Maple Leaf Sig 5		87.45 93.10	97.59 107.48	116.30 119.54	117.77 131.07	110.55 115.16	112.20 115.87	104.54 108.72	107.13 110.50
Soymeal Delivered Wpg/S.Man	488	488	495	495	495	495			

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