

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, April 16, 2020

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Forward contract prices opened mostly higher this morning. US

cash markets continue to probe for 'a bottom' and all reporting regions are down relative to the previous day. The full impacts of demand disruption in the USA have yet to be revealed and until those impacts are more fully known, the cash market will likely see pressure in the short to mid-terms. There could be some optimism developing (relatively speaking), however. Many of the primals that make up the pork cut-out are starting to see some signs of backing-off from the precipitous drop witnessed earlier in the month. The trajectory of the daily drop relative to the weekly average benchmark in butts and picnics is not as severe; hams have 'leveled off', while ribs and bellies are showing modest increases; loins have, however, come under recent pressure presumably as retail demand pulls back following the initial run on the meat case. The net result is a carcass value that is not seeing a recovery yet, but the steepness of the decline is notably less intense as compared to the week over week drops seen recently. But that's just the meat side. Live animal prices continue to be pressured amid much uncertainty in the processing sector. Smithfield announced two more processing plant closures yesterday, but they do not have kill floors (bacon in Wisconsin; hams in Missouri). The plants were supplied by the recently closed Sioux Falls, SD plant but the new closures do not reflect 'additional' less demand from producers relative to before the announcement. Regardless, the tone in the processing sector is very gloomy and there is a lot of speculation if more plants with kill floors will close or be pressured to close because of virus outbreaks, or, the threat of them. Lean hog futures are two-sided and choppy but still residing amid historical lows. The weekly export sales report released this morning revealed generally good numbers, but the news has not been enough to spark a recovery amid the other 'noise' in the market. Physical deliveries were on pace with last week (only 4.3% lower) and maintaining the trend seen since the beginning of the year (85.6% higher than the five-year average for week ending April 9). China took 18,400 MT or 50.3% of the total, maintaining their recent trend and suggesting throughput into the region remains intact. Net sales were lower than last week but still 61.6% higher than the average typically seen in this marketing week. Unfortunately, the export channel will likely not absorb the recent domestic demand collapse at present volumes.

Canadian delivered soymeal prices opened higher this morning.

The weekly export sales report showed a 45% increase in physical deliveries relative to the previous data coming in at 525,000 MT. The volume is 52.4% higher than the five-year average but generally on a seasonal pace with volumes seen at this time of year; the reference average is skewed lower due to poor volumes in 2015. The report showed new net sales were 53% lower than last week and 28% lower than the average but again, the reference average is skewed higher due to exceptional volumes in 2018. Regardless, exports remain seasonal for now but a bit disappointing considering earlier optimism associated with the Phase One trade deal and before Covid-19.

US corn futures opened mixed this morning.

Weekly exports of US corn are seasonally on pace but a bit lower than the average (6.7% lower). New net sales are down by over 50% week/week but just slightly lower than the benchmark (6.8% lower). Normally the report would be considered 'neutral'. However, the big news comes from the ethanol sector where production has been revealed to have dropped by some 3 million bbls since two weeks ago. The last two weeks represent the lowest ethanol production on record.

US Slaughter	
445,000	Wednesday
478,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$34.06
W. Corn Belt	\$34.08
National	\$50.75
ML Signature 5	\$107.44
HyLife (prev. day)	\$124.20
TCP/BP2	\$107.44
BP4/TCP4	\$126.89
BoC Rate (Noon) prev. day \$1.4086 CAD / \$0.7100 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	Jan
Maple Leaf Sig 4		105.00 111.26	114.26 125.78	133.51 137.26	140.39 147.89	135.14 138.39	133.53 134.66	129.53 131.53	129.03 132.53	125.53 136.70
Maple Leaf Sig 5		89.86 97.18	101.56 113.14	121.90 125.16	121.60 136.21	114.99 118.98	115.01 120.27	107.26 111.45	109.85 113.23	106.49 121.10
Soymeal Delivered Wpg/S.Man	493	493	499	499	499	499				

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