

# Hog Margin Outlook

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Friday, April 17, 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 \$1.72, \$1.27, and \$0.05 USD/cwt, respectively. Cash markets will likely continue to push lower until demand for live animals is more concretely established in a Covid-19 marketing environment that is seeing slower line speeds and, in some cases, temporary plant closures. The threat of additional plant closures remains a constant source of uncertainty in the short-term. Weekly cash base prices published today for week ending April 18 (i.e. this week) in USD/cwt revealed another 'down' week, but less intense compared to the week prior. Last week, prices were down by record amounts; \$8.56 for National-based prices and \$12.17 for WCB-based prices. This week, National is down by \$5.84 while the WCB is \$5.26 lower relative to the previous week. The recent moves represent some of the largest week over week changes in history but appear to be backing off in intensity for now. The net result is unprecedented values for this time of year with National 22% lower than the five-year average for this marketing week while the WCB is 43% below the benchmark. Producers will likely have to wait a couple more weeks to see a firm bottom in place as the issues of potential supply buildups of live animals due to slower plant throughput is far from over. Lean hog futures are higher in the early morning trade after residing amid historical lows for most of this week. Closing lows appeared on April 6 and most futures did not breach support levels since that time but values are still 30% lower than cash benchmarks. The bright spot in futures markets, however, is observing that the deferred contracts are not under as much pressure as those representing the summer months. While May, June, July, and August are down relative to historical cash by 39% on average, October, December, and February are down by a more modest 17% and the April 2021 contract is only 7% lower suggesting the market is pricing in a somewhat limited Covid-19 environment for now. Of course, this could all change quite rapidly and the fact that all values are still lower on average suggests pressure on pricing will remain for some time. But the observations further out could represent some optimism even though it is widely believed that a quick economic recovery is unlikely.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are lower as the lack of China buying on Phase One hopes is starting to show up in the numbers. Now, it should be noted that China typically does not buy large cargoes of US beans at this time of year anyway, preferring Brazil product at this time. However, Phase One commitment talk is starting to make the rounds more prominently despite very poor global economic health outlooks. Net sales published this week were below expectations with only 244,700 MT in old crop and 60,000 MT in next year commitments.

**US corn futures opened higher this morning.** US corn futures are higher to finish the week but likely only on technical grounds. Fundamentals remain poor and demand for US corn further out is looking bleaker as the ethanol sector faces unprecedented pressure on poor demand itself. The nearby contract pushed to new lows two sessions ago and has remained in oversold territory somewhat consistently with the Relative Strength Index indicating levels below 30% in eight sessions since the beginning of April.

US Slaughter	
444,000	Thursday
480,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$32.34
W. Corn Belt	\$32.81
National	\$50.70
ML Signature 5	\$106.01
HyLife (prev. day)	\$125.69
TCP/BP2	\$106.01
BP4/TCP4	\$127.08
<b>BoC Rate (Noon) prev. day</b> \$1.4122 CAD / \$0.7081 USD	
Cash Prices Week Ending April 18, 2020	
Signature 3	91.39/41.45
Signature 4	128.73/58.39
Signature 5	110.06/49.92
h@ms Cash	126.73/57.48
HyLife	N/A
BP4/TCP4	143.70/65.18
<b>2020 Top-Up (YTD Rolling Est.)</b> \$11.68 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		105.61 111.84	114.82 126.28	135.06 138.79	139.74 148.57	134.51 137.75	132.16 134.28	128.17 130.17	127.67 131.16	124.18 136.05
Maple Leaf Sig 5		90.56 97.85	102.20 113.72	123.55 126.78	121.04 136.97	114.47 118.44	113.68 119.94	105.96 110.14	108.54 111.91	105.20 120.37
Soymeal Delivered Wpg/S.Man	487	487	493	493	494	495				

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