

Hog Margin Outlook

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Monday, April 20, 2020

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Forward contract prices opened mostly higher this morning. US

cash markets are mixed to start the week with ISM coming in \$0.66 higher while the WCB and National regions are \$0.18 and \$1.02 USD/cwt lower, respectively, relative to the previous day. Typically, the negotiated regions (ISM and WCB) move in tandem, either up or down, in very similar values day to day; National (which uses a formula of cash, contract, cut-out, and forward contract values, for example) is usually independent of the other two. It is somewhat odd, then, to see one negotiated region showing strength while another is moving in the other direction. While inconclusive, a possible reason is due to exceptional demand disruption amid a Covid-19 marketing environment where 'local' plants may be discouraging deliveries more intensely than in other regions. It could also be a function of the ongoing criticism that negotiated numbers are so low as to not represent a meaningful pricing benchmark and is just due to regional disparities and ongoing pricing challenges. The truth is likely somewhere between the two, but the point is cash markets remain volatile as demand profiles for live animals shift significantly from one week to the next. On that note, and for the first time this year, weekly slaughter was down 7.1% relative to the previous week coming in at 2.236 million head. The number is not bullish, and it is not for lack of supplies. The lower weekly slaughter is a function and net result of slowing line speeds and intermittent plant closures across the USA due to Covid-19. Lean hog futures are exhibiting signs of strength to start the week; the June contract is already trading past \$3.00 USD/cwt as the CME-Group expanded the daily limits from \$3.00 to \$3.75. The extent to which the support is sustained for the remainder of the week very much remains to be seen. The futures market is extremely volatile and will likely remain so for the foreseeable future. Some states are loosening 'lockdown' restrictions today (that are still conditional such as not congregating in groups larger than 5 or 10 people, for example), but the wisdom of this move is being widely criticized, impacts on the economy notwithstanding. If states (or provinces) open too soon and restrictions are put back in place later because of a second wave of virus outbreaks, pressure will likely be applied to the futures once again. The situation is not 'over'.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are starting the week off on a lower note and maintaining a pattern of pressure that has been seen over the last five sessions consistently and as a general trend since the beginning of the year. If pressure is maintained, support levels established in the middle of March (nearby contract) could be tested once again this week. So far, US beans are not seeing the type of buying activity that was anticipated after the Phase One trade deal was signed and now, Covid-19 complications and expectations of a global economic slowdown are weighing on the trade.

US corn futures opened lower this morning. Like beans, US corn futures

are lower to start the week. The nearby contract saw some initial signs of recovery late last week after technical features 'kicked in' and influenced some buying on Friday. However, the support was short-lived, and the trade has once again succumbed to the pressure of weak demand and, like beans, concerns on global economic health further out.

US Slaughter	
2.236 mil.	Last Week
2.384 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$33.00
W. Corn Belt	\$32.68
National	\$49.68
ML Signature 5	\$103.87
HyLife (prev. day)	\$123.48
TCP/BP2	\$103.87
BP4/TCP4	\$123.78
BoC Rate (Noon) prev. day \$1.4037 CAD / \$0.7124 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	125.98/57.14
BP4/TCP4	143.70/65.18
2020 Top-Up (YTD Rolling Est.) \$11.68 CAD/ckg	
ISO Weans \$5.60 US Avg.	
Feeder Pigs \$20.17 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig 4		116.56 117.06	120.05 131.52	139.33 143.07	143.69 154.82	138.46 141.69	134.47 138.29	130.47 132.47	129.97 133.47	126.48 137.16
Maple Leaf Sig 5		101.62 103.14	107.50 119.03	127.86 131.11	125.03 143.31	118.45 122.42	115.99 123.98	108.25 112.43	110.84 114.21	107.49 121.61
Soymeal Delivered Wpg/S.Man	501	501	506	506	507	509				

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