

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 5, 2020

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Forward contract prices opened mostly lower this morning. The National reporting region continues to make incremental day-to-day gains over the past couple days while the negotiated regions (ISM and WCB) continue see inconsistency. On Monday, the negotiated regions did not publish a price citing confidentiality, but today the regions are down by \$1.15 and \$1.69 USD/cwt, respectively, compared to the Friday base price. The formula and negotiated regions paint vastly different pictures. The National formula, which has seen some strength return is not *not* at all-time low levels today for the first time in four weeks. In fact, the weekly cash settlement base price in 2018 for this marketing week was \$0.40 *lower* than today's daily published price. The move represents a sharp turnaround in the National region which saw historical lows only two weeks ago. The WCB, on the other hand, continues to reside amid the lows and the daily price today is \$22.61 lower than the weekly average base seen in 2018 for the same marketing week; 2018 represented the previous low. The recent supply and demand disruption as a result of Covid-19 is exacerbating the regional differences and this disconnect will likely be a point of considerable debate amid the current crisis and probably well after it is over. Lean hog futures are choppy to start today's session, moving higher at the open, but backing off and all trading lower as of this writing relative to the previous day's close. There is little-to-no certainty presently and it should be noted that the market is not 'behaving' normally either. For example, the June contract typically trades at a discount relative to the July contract at this time of year by just under \$2.00 USD/cwt. For the past couple days, the June contract is trading higher than the July, and all the summer months are relatively 'flat' compared to a profile that typically sees June and July trade at premiums compared to May and August, for example. The July contract, which typically sees a \$15.00 premium to the December is currently just \$6.00 higher. The 'flattening' of all these examples highlights the uncertainty currently seen in the marketplace which, while improving from a price perspective in recent days, is likely far from over.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower and residing amid the recent lows as they have been since the end of April. Pressure remains on the trade amid a heating up of the rhetoric against China coming from Washington, DC that could potentially influence buying patterns from the traditional export partner. The Crop Progress report yesterday showed bean planting at 23% complete up from 8% last week and compared to 5% last year. The five-year average is 11% for the current week.

US corn futures opened mixed this morning. The nearby contracts are showing some strength but still residing amid the recent lows. Yesterday's Crop Progress report showed planting pace at 51% completed up from 27% last week. The normal pace for this week is 39% and while this week's numbers are not the highest on record, planting pace this year is at a good pace so far. Last year, wet and challenging conditions saw a slower-than-average pace coming in at 21% which impacted intentions, acreage, and yield estimates for the remainder of the year.

US Slaughter	
292,000	Monday
468,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$37.55
W. Corn Belt	\$37.53
National	\$65.61
Signature 4	\$164.03
HyLife (prev. day)	\$155.48
TCP/BP2	\$130.46
BP4/TCP4	\$164.03
BoC Rate (Noon) prev. day \$1.4085 CAD / \$0.7100 USD	
Cash Prices Week Ending May 2, 2020	
Signature 4	142.14/64.47
h@ms Cash	140.14/63.57
HyLife	144.98/65.76
BP4/TCP4	129.12/58.57
OlyWest	126.40/57.33
2020 Top-Up (YTD Rolling Est.) \$12.83 CAD/ckg	
ISO Weans \$5.91 US Avg.	
Feeder Pigs \$16.06 US Avg.	

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig 4		157.26 165.23	159.64 161.14	151.73 162.26	147.74 149.74	146.25 148.07	144.08 146.08	143.09 146.57	139.60 152.34
Soymeal Delivered Wpg/S.Man	494	499	499	501	502				

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