

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 24, 2020

For details call: (204)235-2237 or visit

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US Slaughter

2.622 mil. Last Week
2.487 mil. Year Ago

Daily Prices

Iowa/S. MN. \$49.28
W. Corn Belt \$49.27
National \$59.65

ML Signature 5 \$129.73
HyLife (prev. day) \$139.16
TCP/BP2 \$129.73
BP4/TCP4 \$140.02

BoC Rate (Noon) prev. day
\$1.3224 CAD / \$0.7562 USD

Cash Prices Week Ending

February 22, 2019

Signature 3 119.44/54.18
Signature 4 139.41/63.24
Signature 5 129.42/58.70
h@ms Cash 137.41/62.33
HyLife 138.43/62.79
TCP/BP2 130.93/59.39
BP4/TCP4 142.92/64.83

2020 Top-Up (YTD Rolling Est.)

\$11.74 CAD/ckg

ISO Weans \$38.60 US Avg.

Feeder Pigs \$57.79 US Avg.

Forward contract prices opened mostly lower this morning. Monitored US cash markets are down to start the week with ISM and WCB lower by \$0.38 and \$0.39, respectively, while the National region came in lower by a dime (USD/cwt). Despite the move, cash markets appear to be holding at current levels somewhat. The week over week drop in the National region has moderated from its previous course and the WCB showed a modest gain relative to the previous week; if daily cash values continue the trend, cash markets could level out in the interim. Unfortunately, cash markets have seen some recent volatility and if demand concerns (i.e. logistics challenges) related to coronavirus (Covid-19) start to show up in the numbers, cash markets could be facing some greater headwinds in the short term as the seasonally typical domestic tightening of supplies is still some weeks away. Weekly slaughter remains at a brisk pace with an estimated 2.622 million hogs including Saturday estimates, or a 5.4% increase over last year. Lean hog futures gapped lower at the open, made a small recovery in the early morning trade, but are tracking lower once again as of this writing. Ongoing economic fall-out concerns with Covid-19 are mostly behind the move as investors move to traditional safe havens such as gold. The market is harboring a 'risk off' sentiment until more certainty is known regarding the scope of the outbreak and, from an economic perspective, how authorities will handle the situation including movements of people. In the meantime, futures values show a slight 1.1% premium to the five-year historical cash prices (on average) but are still well-off the April 2019 highs (i.e. approximately 17% lower) using this morning's futures values. More certainty is needed before the market makes consistent gains, but it is still a little early for the seasonal spring rally in any event. We still say risk to the upside, but it could take some time for the recent issue of Covid-19 to run its course and for some normalcy to return to global trade generally.

Canadian delivered soymeal prices opened lower this morning.

The USDA's Outlook Forum released last week was considered slightly supportive for the US soybean trade, but Covid-19 news remains front and centre, pressuring beans for now. Planted acres were estimated at 85 million acres with 84.2 million estimated harvested. Yield came in at 49.8 bpa and exports were raised to 2.05 billion bu but still not high enough according to those who think Phase One commitments will 'make' China buy more from the US. Ending stocks on were pegged at 320 million for the year which, if realized, would be the lowest going back to 2013.

US corn futures opened lower this morning.

Unlike beans, The USDA's Outlook Forum estimates were considered bearish to the trade, which, like beans and other commodities, is under pressure this morning due to ongoing Covid-19 concerns in other markets. Regardless, an estimated 178.5 bpa average yield on 86.6 million harvested acres (from 94 million acres planted) was estimated. Ending stocks were subsequently pegged at 2.637 billion bu which represents a lot of corn available if realized next year.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		139.31	145.92 150.39	156.80 171.63	175.63 183.40	183.18 185.53	166.69 186.59	156.55 161.27	151.86 159.46	146.23 149.04
Maple Leaf Sig 5		131.90	137.66 144.41	151.88 167.19	171.93 179.47	178.51 179.71	150.85 180.91	142.03 146.58	136.11 149.49	127.89 132.30
Soymeal Delivered Wpg/S.Man	445	448	453	453	461	461				

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