

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, February 26, 2020

For details call: (204)235-2237 or visit www.hamsmarketing.ca

US Slaughter

495,000 Tuesday
473,000 Year Ago

Daily Prices

Iowa/S. MN. \$49.56
W. Corn Belt \$49.55
National \$60.08

ML Signature 5 \$131.12
HyLife (prev. day) \$140.41
TCP/BP2 \$131.12
BP4/TCP4 \$141.63

BoC Rate (Noon) prev. day
\$1.3281 CAD / \$0.7530 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.)
\$11.55 CAD/ckg

ISO Weans \$38.60 US Avg.

Feeder Pigs \$57.79 US Avg.

Forward contract prices opened mostly mixed this morning. US cash markets are higher with ISM and WCB both up by \$1.07 while the National region is higher by \$0.60 USD/cwt. The move represents the first day this week where all regions were higher on the same reporting day but that is more of an observational curiosity than anything else. Cash markets have, at this time, no rationale to push *consistently* higher as supplies remain ample and packers are having no troubles keeping schedules full. On the meat side, there is likewise an abundance of supply highlighted in the most recent cold storage report referenced yesterday, and even though the cut-out has shown some modest strength (compared to recent weeks), demand is still far from sufficient enough to entice higher bids from meat buyers despite some isolated strength witnessed in individual cuts destined for export - yesterday's net carcass value was \$0.35 lower in any event. The result has been pressure on cash markets where the National region currently resides 10% lower than the five-year average cash settle seen in this marketing week while the WCB is down 18% using today's value against the same benchmark. Logistics and demand complications due to Covid-19 could add an extra layer of pressure in the short term and there is currently no projection on when the virus will run its course, globally, or otherwise. Lean hog futures remain lackluster and are trading amid contract lows. While the deferred contracts are technically higher as of this writing, the 'premium' is modest, and the market is not really poised for any break from the recent trend. There is hope further out that when China allows private importers to apply for tariff exemption certificates on March 2, that it could usher in new purchase activity from the country's private buyers. However, Covid-19 was an unexpected externality that has since tempered optimism in the short term as supply chains become disrupted due limitations on person movements including, for example, factory, school, and port closures, and directives from authorities to stay at home. There are expectations that pork movements will improve after Covid-19 runs its course akin to the post-SARS marketing environment, not to mention Phase One commitments and the production loss due to ASF. But the market is simply going to have to wait for these 'events' and the futures will likely linger amid the lows for a while, barring new information.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading higher, but the move is more likely due to technical positioning as opposed to any fundamental news. Like pork, above, the soybean market is waiting to see the impact of tariff waivers, but Chinese authorities have reportedly stated that March 2 will be the date the first waivers are issued and not before that. South American weather remains non-threatening generally and there are expectations of large production from the region. Phase One commitments appear to be questioned daily, and again, the market is just going to have to wait and see how much (and when) China starts buying.

US corn futures opened higher this morning. Like beans, US corn futures are also higher this morning, but they are coming off the lows put in two sessions ago and the support could be considered modest. The nearby contract is hovering around contract lows with not much fundamentally supportive news on the horizon. Covid-19 continues to play a role in the bearish tone as rampant virus speculation works its way through the markets.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4			145.39 149.87	157.22 172.07	176.08 183.86	183.87 186.23	167.05 187.60	156.90 161.62	154.13 160.57	148.46 151.29
Maple Leaf Sig 5			137.11 143.87	152.30 167.63	172.38 179.92	179.20 180.40	151.19 181.91	142.35 146.91	138.30 150.54	130.02 134.46
Soymeal Delivered Wpg/S.Man	454	457	465	465	473	473				

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STRENGTH IN NUMBERS

