

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 28, 2020

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

US Slaughter

494,000	Thursday
475,000	Year Ago

Daily Prices

Iowa/S. MN.	\$49.95
W. Corn Belt	\$49.95
National	\$60.08

ML Signature 5	\$132.41
HyLife (prev. day)	\$140.71
TCP/BP2	\$132.41
BP4/TCP4	\$142.49

BoC Rate (Noon) prev. day
\$1.3361 CAD / \$0.7484 USD

Cash Prices Week Ending February 29, 2020

Signature 3	120.29/54.56
Signature 4	141.19/64.04
Signature 5	130.74/59.30
h@ms Cash	139.19/63.14
HyLife	N/A
TCP/BP2	129.42/58.70
BP4/TCP4	139.41/63.24

2020 Top-Up (YTD Rolling Est.)

\$11.42 CAD/ckg

ISO Weans \$38.60 US Avg.

Feeder Pigs \$57.79 US Avg.

Forward contract prices opened mostly lower this morning. US cash markets are higher to finish the week with ISM, WCB, and National regions up \$0.26, \$0.31, and \$0.11, respectively (USD/cwt.). Weekly constructed regional base prices show the WCB was up \$0.20 on the week while National was up \$0.57 USD/cwt and the first time both regions showed week-over-week increases since week ending February 1. The strength is modest, however, and not really breaking from the recently established trends. As well, regional cash prices are relatively low and trending below five-year averages in both regions; only 2019 saw lower values for this marketing week in recent memory. In a refrain that is starting to sound repetitive, ample supplies of live animals - and pork - are keeping prices in check and without stronger demand on the meat side, packers are not motivated to aggressively bid especially when the supply of live hogs remains abundant. As well, the recent Covid-19 outbreak has choked off some supply chains and is expected to pressure in the short term. New cases of the virus are being reported every day and there are ideas that some domestic logistical challenges could develop if the outbreak becomes more widespread at home, not to mention the likelihood of disruptions in other regions. Lean hog futures are finishing the week off on a bearish note and are once again trending lower as of this writing. Futures contracts are now approaching key support levels that were established at the beginning of February. If breached, the market could probe for new lows. Today, futures contracts still are hovering around the three-year average cash settlement values, but they are approximately 1.3% lower this morning. In the meantime, the CME has announced an intention to expand initial daily trading limit values in the lean hog futures contract from 3 cents to 3.75 cents citing ongoing volatility; according to the CME, lean hog futures settled at daily limit values 31 times in 2019 or 14% of the time, which is considered high. Expanded limits will move from 4.5 cents to 5.5 cents if the 'front eight' contracts settle at the newly expanded initial limit but maintain the current 4.5 cent expansion if only the 'front three' contracts reach the initial limit value. The new changes will go into effect on Monday, April 13, 2020 pending CFTC approval, and will be reset annually on the first trading day in September thereafter if needed. The move is being undertaken in an effort to solve the issue of price discovery as traders can be locked out of trading, for example, if limit moves are reached.

Canadian delivered soymeal prices opened higher this morning. Coronavirus complications, relatively poor export sales reported this week and a large estimated South American crop are all weighing on the trade to finish the week. Bean exports were well under the 600,000 MT to 900,000 MT anticipated range, coming in at just over 361,000 MT. Buenos Aires Grains Exchange estimates soybean crop to come in at 54.4 MMT which is revised up from the previous 53.1 MMT estimate. Brazil expectations have also been revised upward from 123.9 MMT in January to a record 125.6 MMT in latest estimates.

US corn futures opened mixed this morning. Any 'support' seen in corn recently has been a function of technical repositioning, prompting the market to move higher, but not by much, and it hasn't represented a shift in trend yet. As well, as of this writing, only the March contract has seen any signs of support today as the others remain under pressure due to recent Covid-19 speculation for the most part. Yesterday's export numbers were within the range of expectations, but only at the lower end, at the lowest level going back to 2013, and 33.6% off the five-year average pace.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4			143.23 147.76	154.50 169.54	173.60 181.48	181.14 183.52	166.14 185.59	155.90 160.66	154.17 160.14	150.35 151.30
Maple Leaf Sig 5			134.77 141.62	149.43 164.97	169.77 177.42	176.36 177.57	150.11 179.80	141.20 145.80	138.13 149.95	129.76 134.25
Soymeal Delivered Wpg/S.Man	467	470	478	478	484	484				

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