

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, March 3, 2020

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

www.hamsmarketing.ca

US Slaughter

495,000 Monday
463,000 Year Ago

Daily Prices

Iowa/S. MN. \$49.78
W. Corn Belt \$49.76
National \$59.31

ML Signature 5 \$131.21
HyLife (prev. day) \$140.17
TCP/BP2 \$131.21
BP4/TCP4 \$140.59

BoC Rate (Noon) prev. day
\$1.3356 CAD / \$0.7500 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 140.13/63.56
TCP/BP2 129.42/58.70
BP4/TCP4 139.41/63.24

2020 Top-Up (YTD Rolling Est.)
\$11.42 CAD/ckg

ISO Weans \$29.94 US Avg.

Feeder Pigs \$57.50 US Avg.

Forward contract prices opened mostly higher this morning. US

cash markets are lower with ISM, WCB, and National regions down by \$0.46, \$0.38, and \$0.62 USD/cwt, respectively. Daily slaughter remains high and consistently over 490,000 per day; yesterday's kill was estimated at another 495,000. The pork cut-out saw some recent support, but the primal values are mixed relative to history with many still residing amid seasonal lows and a daily net-carcass value that is currently at the second lowest value going back to 2013 for the same marketing week. Loins, butts, and bellies are at the lower end of the spectrum while picnics and ribs are about average for this time of year. The lone bright spot has been hams, recently, where they are now coming in at the highest level for this marketing week not counting 2014. There are thoughts that returning Mexico demand could be, in part, behind the strength of this primal. In the meantime, net carcass values are relatively low with the seasonal uptick in domestic demand still a couple weeks away and an export profile that, while good relative to history, has not been enough to usher in price support – logistics and demand issues related to the ongoing Covid-19 outbreak will likely 'push back' that export demand until the uncertainty subsides. Lean hog futures gapped higher at the open, but follow-through buying appears to be limited as contracts were backing off as of this writing. New support has not been related to fundamental news and instead, likely a function of technical and other repositioning as managed money shifts around. There is a lot of noise in the marketplace, and while there is some optimism that private Chinese buyers will take advantage of the tariff exemption certificates that started being issued on Monday, the market will likely have to wait for next week's report to see if new volumes have started to materialize as a result of certificate availability. Daily price reporting will be watched closely for clues on direction, especially in cuts typically destined for export channels. Regardless the market will likely have to wait for evidence of sustained and significant volume commitments before more optimism returns to the trade. Despite this morning's initial move higher, futures values when averaged relative to cash are statistically equal over the same timeframe.

Canadian delivered soymeal prices opened lower this morning. US

soybean futures continue to trend higher after bouncing off key support levels last week following initial pressure when coronavirus uncertainty sparked a sell-off. For the past six sessions, soybean futures have made incremental gains and are trending higher. Like lean hogs, there is some optimism that the release of tariff exemption certificates this week by Chinese authorities could also provide a boost to export commitments. The January crush numbers released by NOPA showed a record 188.8 million bu. were crushed compared to a 187.3 million bu. estimate and 184.7 million bu. last month.

US corn futures opened higher this morning. US corn futures are likewise

continuing a trend upward since bottoming out due to the Covid-19 sell-off last week. It took corn futures longer to reach the bottom when compared to the soybean futures trade, but technical support levels were also not breached. New demand for corn remains key but large supplies, both domestic and in other markets, is keeping the upside in check for now. Argentina has raised production forecasts by another 1 MMT to 50 MMT in current estimates this year, for example.

Forward Range
(at opening)

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Maple Leaf
Sig 4

145.59
150.09

153.88
168.80

172.83
180.64

180.22
182.60

165.79
184.19

155.58
160.33

155.41
159.45

149.71
152.56

Maple Leaf
Sig 5

137.27
144.06

148.87
164.28

169.04
176.62

175.46
176.66

149.81
178.40

140.93
145.52

139.50
149.32

131.17
135.63

Soymeal
Delivered Wpg/S.Man

473

480

480

486

486

487

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STRENGTH IN NUMBERS

