

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, March 4, 2020

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## US Slaughter

495,000 Tuesday  
475,000 Year Ago

## Daily Prices

Iowa/S. MN. \$50.14  
W. Corn Belt \$50.13  
National \$59.94

ML Signature 5 \$132.48  
HyLife (prev. day) \$140.89  
TCP/BP2 \$132.48  
BP4/TCP4 \$142.16

**BoC Rate (Noon) prev. day**  
\$1.3363 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.** The see-sawing that has recently been a feature of the US cash market has appeared once again. Yesterday's values were all lower relative to the previous day, and today, US cash markets are higher with the ISM and WCB regions making up almost all the previous day's losses while the National is \$0.63 USD/cwt higher, or, a penny higher than yesterday's \$0.62 retreat. The net result is a trend that has remained relatively flat since the middle of February as the market waits for indications that demand has improved from any channel. There are articles surfacing with hyperbolic headlines that cold storage facilities are 'bursting at the seams', but the point is that there is currently a lot of meat (from all protein types) waiting to move to buyers. There are thoughts that this has been a strategic stockpiling ahead of what could be unprecedented demand, especially from China, further out. But the recent Covid-19 outbreak has curbed the near-term optimism somewhat as logistics and demand issues work their way through the outbreak, and the potential impacts of the March 2 tariff exemption certificates in China will likely not be known for at least another week and a half. The market is simply waiting for demand to improve, and subsequently for supplies to tighten. Meanwhile, lean hog futures are trading in a likewise fashion, neither significantly higher or lower day-over-day. While some strength has been witnessed this morning, the futures are generally trading in the middle of the range established at the beginning of February and at the low end of contract values. Futures markets have a way to go before a new trend higher will be seen. As with cash, coronavirus uncertainty and a lack of significant and sustained demand, combined with ideas of record domestic production, are keeping upsides in check for now. The US Federal Reserve announced a 50-basis point cut to interest rates yesterday in a move that is considered highly unusual because it was made between the scheduled announcements on interest rates. An attempt to get ahead of potential economic headwinds is the consensus on rationale and the unscheduled adjustment highlights just how significant officials think those economic headwinds could be.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures continue to move higher in the day-to-day and have extended closing values higher over the past three sessions. If today's trend remains, it will be the fourth day in a row that the market has closed higher than the previous day which has not been seen since the beginning of February. The potential upside remains limited due to large South American crop production, large, new crop US planting estimates currently, and an absence of China in the export data so far. While it is widely believed there are some macro-economic challenges ahead, beans have not broken support levels, even during last week's sell off.

**US corn futures opened higher this morning.** There was talk surfacing yesterday that China \*could be\* interested in US corn but traders note that South American corn is currently cheaper than US variants. Despite Phase One commitments, China has traditionally been a value buyer in the global marketplace and the idea is that while there is some pressure on China to purchase from USA in order to make good on the commitments in Phase One, Chinese buyers could turn to the cheaper alternatives for now.

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		145.98 150.50	156.49 171.48	175.52 183.37	183.11 185.49	167.88 187.34	157.65 162.41	156.88 161.65	151.17 154.03
Maple Leaf Sig 5		137.62 144.43	151.49 166.96	171.75 179.36	178.37 179.58	151.89 181.59	142.99 147.58	140.93 151.51	132.58 137.06
Soymeal Delivered Wpg/S.Man	481	486	486	491	491	491			

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## Some Important Phone Numbers

Main Office: 204-233-4991  
Toll Free: 1-800-899-7675  
Logistics: 204-235-2225  
Risk Management: 204-235-2237

STRENGTH IN NUMBERS

