

# Hog Margin Outlook

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Thursday, March 5, 2020

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## US Slaughter

495,000 Wednesday

475,000 Year Ago

## Daily Prices

Iowa/S. MN. \$50.14

W. Corn Belt \$50.10

National \$59.93

ML Signature 5 \$133.95

HyLife (prev. day) \$140.94

TCP/BP2 \$133.95

BP4/TCP4 \$142.45

**BoC Rate (Noon) prev. day**  
\$1.3392 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 mixed with ISM and WCB regions up by \$1.00 and \$0.97, respectively, while the National region has backed off by a penny relative to the previous day in USD/cwt. Slaughter levels remain historically high, largely due to the 'new' packer capacity that was more fully implemented at the end of last year following expansion initiatives in the US. Since then, the Monday-Friday daily kill has been somewhat consistently above 490,000 head per day. Compared to last year, daily slaughter rarely eclipsed 480,000 in January or February and the net result this year has been a 6% increase on average relative to year ago. In the meantime, Covid-19 complications have created logistics issues and tempered demand expectations. As such, there is a possibility that the domestic seasonal tightening of supplies (reduced market weights and slaughter numbers) could have more influence over price heading into the late spring. However, weights typically don't decrease as a trend until about the middle of April, with the brunt of the decrease not revealed until about the second week in June. There are initial thoughts that the Covid-19 outbreak will be clearer by that time, and with news that China port operations are returning more to normal currently, the timing could of these 'events' will be something to watch. However, none of these speculations are guaranteed and prices are likely to be pressured unless some spike in demand from any channel (or domestic supply constraint) develops at any time. Lean hog futures started off on a lower note this morning but gained some momentum in the earlier session and are trending higher as of this writing. Futures values are still at the lower end of the recently established range though, and net average futures values relative to cash benchmarks over comparable timeframes are still only 1.19% higher than the three-year average. The Bank of Canada followed the US Federal Reserve yesterday and also lowered interest rates by 50 basis points citing a 'clearly weaker' outlook for the Canadian economy in the face of a potentially longer Covid-19 event that could rattle financial markets and disrupt everything from inventory to distribution to staffing levels. The move is an attempt to 'get ahead' of these potential issues for now, but financial markets are starting to reposition, and the Bank's announcement highlights the seriousness of their concern.

## Canadian delivered soymeal prices opened lower this morning.

Following four straight sessions of higher daily closing values, US soybean futures have backed off and are trading lower this morning. The market really doesn't have any fundamental reason to move beyond the recently established technical resistance levels that were reached yesterday, seemingly providing some rationale for the move lower. Average estimates compiled by Reuters are making the rounds ahead of next week's WASDE report, and so far, analysts see 426 billion bu in ending stocks on average.

## US corn futures opened lower this morning.

Like beans, US corn futures are also lower after seeing four consecutive days of support. Unlike beans, the nearby US corn contract has not reached resistance levels suggesting the move is seeing outside influence in commodity markets generally. In any event, US corn will be looking for a stronger demand signal to move much higher. Ending stocks estimates ahead of next week's WASDE report are coming in at 1.88 billion bu on average according to a survey of analysts compiled by Reuters ahead of every report.

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		148.35 152.87	157.34 172.33	176.37 184.23	184.08 186.46	168.62 188.17	158.39 163.15	156.84 161.70	151.14 153.99
Maple Leaf Sig 5		140.02 146.84	152.35 167.83	172.62 180.23	179.36 180.57	152.64 182.43	143.75 148.34	140.97 151.62	132.65 137.11
Soymeal Delivered Wpg/S.Man	475	477	477	484	484	484			

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