

# Hog Margin Outlook

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Friday, March 6, 2020

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## Forward contract prices opened mostly higher this morning. US

cash markets are higher to finish the week with ISM and WCB regions up just over \$0.30 while the National region gained \$0.49 USD/cwt over the previous day. Despite the support, the cash markets this week have been mixed and market participants will be watching to see if there is any follow through next week. There is anecdotal evidence suggesting that some of the individual cuts destined for export are seeing some gains, perhaps hinting at the earliest stages of increased export demand, but stocks are not yet being drawn down and that perceived demand has yet to flow through or result in higher bids for live animals. Weekly base prices for week ending March 7 are slightly higher than last week with WCB up by a nickel and National up by \$1.13 USD/cwt. The results are cash markets that see both regions at the lower end of values in recent memory with National down 10% and WCB down 17% compared to a five-year average benchmark; only 2019 saw lower values at this time of year. In terms of export news, physical deliveries revealed yesterday remain at a record pace with global volume coming in 95.4% higher than the five-year average or 43,500 MT for week ending March 5. The challenge is that current export volumes are not enough to usher in price supports. While China did take ~17,000 MT of US pork (39% of total for the week) and maintained the recent trend which is a also record for this time of year, it is somewhat surprising considering the ongoing stories about Covid-19 logistics and port challenges so, it is considered positive. The answer to the big question could be revealed next week when the March 12 export report \*may\* show potential effects of tariff exemption certificates (waivers) that were to be made available to private Chinese importers on March 2. An uptick in volume could spark some new lean hog futures interest but anything less than that, including the maintenance of the current trend, will likely keep any upsides in check and could even be viewed as negative. Due to ongoing global economic challenges associated with Covid-19, near-term downside risk into the summer is palpable, and volatility will likely be a feature of the trade until more certainty returns to the broader marketplace.

## Canadian delivered soymeal prices opened mixed this morning.

Yesterday morning's Weekly Export Sales report showed net exports were up 16.3% compared to the previous week but came in at the lowest value for its marketing week going back to 2010 and 22.3% lower than the five-year average pace. Despite Phase One 'commitments', Chinese purchasers have not yet entered the US market nor are they making new commitments further out, but that could change next week if tariff waivers available on March 2 were utilized this week (volume reported on March 12). This week, new net sales were down 58% relative to the five-year average. The accumulated pace is not as low as seen last year but still 22.2% lower than typical.

## US corn futures opened lower this morning.

The Weekly Export Sales report showed physical deliveries were higher than last year at this time but still 19.5% lower than the average typically seen in this marketing week with 884,600 MT shipped. Seasonal strength typically doesn't fully develop until late March heading into April and May. New net sales were 22.4% lower than the five-year average at 769,200 MT. Except for 2013, US corn accumulated exports are the lowest on record and 32.9% lower than the average benchmark so far this year.

US Slaughter	
495,000	Thursday
471,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$51.45
W. Corn Belt	\$51.43
National	\$60.42
ML Signature 5	\$135.17
HyLife (prev. day)	\$142.41
TCP/BP2	\$135.17
BP4/TCP4	\$143.87
<b>BoC Rate (Noon) prev. day</b> \$1.3415 CAD / \$0.7500 USD	
Cash Prices Week Ending	
March 7, 2020	
Signature 3	123.99/56.24
Signature 4	142.39/64.59
Signature 5	133.19/60.41
h@ms Cash	140.39/63.68
HyLife	140.13/63.56
BP4/TCP4	141.19/64.04
<b>2020 Top-Up (YTD Rolling Est.)</b> \$11.21 CAD/ckg	
ISO Weans \$29.94 US Avg.	
Feeder Pigs \$57.50 US Avg.	

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		151.00 155.53	158.63 173.65	177.71 185.58	184.81 187.20	168.96 188.82	158.70 163.47	156.90 162.25	151.18 154.04	150.71 154.04
Maple Leaf Sig 5		142.69 149.53	153.65 169.16	173.96 181.59	180.09 181.30	152.94 183.07	144.02 148.63	140.96 152.14	132.61 137.09	135.08 138.30
Soymeal Delivered Wpg/S.Man	473	477	477	484	484	485				

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