

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, March 9, 2020

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Forward contract prices opened mostly lower this morning. US

cash markets are lower to start the week with ISM and WCB down by \$0.23 and \$0.37, respectively, while the National region is lower by two cents relative to the previous day in USD/cwt. Cash markets continue to trade in a sideways pattern as supply remains ample, demand remains steady and the seasonal tightening of supplies has not yet developed. Weekly slaughter came in at 2.680 million head or 6.1% higher than year ago; slaughter levels remain at a record pace. Lean hog futures gapped lower at the open and were headed toward limit-low but have recovered as of this writing and did not meet the newly expanded limit allowance. While Covid-19 remains a factor, news over the weekend not related to the novel coronavirus has sparked more negativity and a further 'risk off' sentiment. Russia did not agree to Saudi Arabia's plan to collectively support oil prices by limiting production, and talks broke down. In response, Saudi Arabia dropped the price of crude on the global market and further announced they would be increasing production, likely, as a ploy to punish competitors and/or apply maximum financial pressure as they position for the longer term. Global crude prices subsequently dropped 30% and were trading below \$28 per barrel (USD) in the earlier trade; crude prices are currently hovering around the \$33 per barrel mark. The move could hurt national economies that rely on energy for a portion of their revenues and threaten their ability to service debt obligations and/or pay out bonds, not to mention cripple local oil industries. The situation is very serious, and it will likely take some time for the ripple effects to work their way through the broader marketplace. This morning all major stock indexes are down and investors are fleeing to safe havens. Despite the negativity and moves lower, lean hog futures remain statistically equal with the three-year cash settlement base prices on average and are considered 'fair value' given the current marketing climate. While notable upside potential is still possible further out, presumably after Covid-19 runs its course and the US export profile picks up once again, the unhedged producer may want to (re)assess current forward contract values in the context of their operations heading into the summer timeframe.

Canadian delivered soymeal prices opened lower this morning. US

soybean futures are down double digits at the open following the generally negative sentiment and 'risk off' tone in the markets this morning. The negativity has been brought on by ongoing coronavirus concerns and news over the weekend that Saudi Arabia was lowering oil prices and ramping up production which will impact the global finance structure in varying degrees. Fundamentals and even technical this morning in grains will likely take a back seat until the ripple effects of the recent news works its way through commodity markets.

US corn futures opened lower this morning. Like beans, US corn futures are

lower to start the week. The nearby contract has pushed through initially support levels and is currently making its way lower to the next level of support that could see the trade 'settle in' around the upper \$3.60 USD/bu range. US corn prices are impacted by the oil trade as ethanol production and prices are tethered to energy markets more so than other crops; ethanol production in the USA utilizes approximately one-third of the US corn crop annually.

US Slaughter	
2.680 mil.	Last Week
2.526 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$51.22
W. Corn Belt	\$51.06
National	\$60.40
ML Signature 5	\$134.75
HyLife (prev. day)	\$142.60
TCP/BP2	\$134.75
BP4/TCP4	\$143.88
BoC Rate (Noon) prev. day \$1.3421 CAD / \$0.7451 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
2020 Top-Up (YTD Rolling Est.) \$11.21 CAD/ckg	
ISO Weans \$28.00 US Avg.	
Feeder Pigs \$55.48 US Avg.	

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		152.40 153.84	157.86 173.04	177.13 185.08	184.97 187.38	168.81 189.19	158.44 163.26	156.41 161.77	150.64 153.52	150.15 153.52
Maple Leaf Sig 5		144.54 147.72	152.79 168.46	173.30 181.01	180.16 181.38	152.57 183.34	143.55 148.21	140.27 151.52	131.84 136.36	134.34 137.59
Soymeal Delivered Wpg/S.Man	468	472	472	479	479	480				

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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

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