

Hog Margin Outlook

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Tuesday, March 17, 2020

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Forward contract prices opened mostly higher this morning. US

cash markets turned lower relative to the previous session with ISM and WCB regions down \$0.87 and \$0.81, respectively, while the National region is lower by a more modest \$0.03 USD/cwt compared to the previous day. Cash markets are tacking slightly higher than the five-year average *trend* which is steady heading into the beginning of May, but the regions are still lower than that benchmark. The National region is 8% lower than the five-year, while the WCB is lower by 13%. Despite the relative weakness, cash markets have improved week over week and current values represent a gradual improvement compared to prices seen six weeks ago. There will likely be some Covid-19 supply *and* demand disruption for US pork, domestically and globally, but those impacts will not be clearer for a couple weeks in all likelihood and there are no shortage of opinions on that front in the meantime. A large concern for cash markets at this time would be if a large packing plant shut down (or was ordered to shut down) due to Covid-19 complications. Processors are highly motivated to keep production schedules running and there are anecdotal reports that some have contingency plans already in place (alternative staffing arrangements, for example) to keep operations running. The call, therefore, would likely come from officials, but they too are concerned as related to keeping the food supply intact. Lean hog futures are higher as of this writing, with some contracts already reaching the trading limit value higher on what is a remarkable reversal relative to what has been witnessed over the past couple days. Follow through buying in successive sessions will be key in order to keep the momentum upward, but today's action represents the second consecutive day that the futures are experiencing some support. It's too early to call a bottom in place, but for now, it appears the markets could be recovering suggesting new support levels were reached yesterday.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are seeing some support following steady pressure that has been applied to the market in no short order due to ongoing Covid-19 concerns and weak markets elsewhere. The nearby contract reached a closing low of \$8.21 USD/bu yesterday but is up 4 cents as of this writing. Has a bottom been reached in beans as well? It is all too soon to determine as the marketing situation is dynamic and the news changes rapidly. However, some confidence has returned to the market today and all bean contracts are higher as of this writing.

US corn futures opened lower this morning. US corn futures continue to

trade under pressure with all contracts lower as of this writing. Like beans, contract closing lows were once again put in place yesterday with the trade closing at \$3.54 US/bu. Unlike beans, however, the trade has pushed lower in this session and is currently trading at \$3.50 as of this writing; it has been as low as \$3.47 6/8 in this session and it appears a bottom could be forming although that is certainly not guaranteed.

US Slaughter	
497,000	Monday
465,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$53.73
W. Corn Belt	\$53.73
National	\$61.78
ML Signature 5	\$145.33
HyLife (prev. day)	\$151.15
TCP/BP2	\$145.33
BP4/TCP4	\$153.13
BoC Rate (Noon) prev. day \$1.3964 CAD / \$0.7161 USD	
Cash Prices Week Ending March 14, 2020	
Signature 3	132.42/60.07
Signature 4	147.68/66.99
Signature 5	140.05/63.53
h@ms Cash	145.68/66.08
HyLife	147.12/66.73
BP4/TCP4	142.39/64.59
2020 Top-Up (YTD Rolling Est.)	
\$10.88 CAD/ckg	
ISO Weans \$25.36 US Avg.	
Feeder Pigs \$55.44 US Avg.	

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		142.30 143.80	139.85 155.60	159.85 168.09	168.78 171.28	157.92 173.52	147.18 152.18	146.95 151.58	140.94 143.95	140.44 143.95
Maple Leaf Sig 5		133.89 137.19	134.19 150.45	155.48 163.48	163.43 164.69	140.84 167.11	131.50 136.32	129.89 140.63	121.12 125.82	123.71 127.10
Soymeal Delivered Wpg/S.Man	495	491	491	492	492	493				

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All h@ms Marketing 2020 District meetings have been CANCELLED