

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, March 24, 2020

For details call: (204)235-2237 or visit www.hamsmarketing.ca

Forward contract prices opened mostly higher this morning. US

cash markets are higher for the second consecutive day with ISM, WCB, and National regions up by \$1.52, \$1.67, and \$0.94 USD/cwt, respectively. When daily cash values are compared to the average weekly base price settlements for the same marketing week, the National region is now only 1% lower than the average while the WCB is 5% lower than its respective benchmark. The trajectory, therefore, has been one tracking steadily higher since the end of February with most of the gains made in recent weeks. The move has been notable and are the regions are no longer at their lowest marketing week values when compared to history or lower by double digits as was recently the case. There is anecdotal evidence that some cuts destined for export is seeing new support and aggressive consumer buying at the retail (grocery) level due to Covid-19 preparations is apparently making its way into the daily reporting. The daily carcass is now 21.4% higher than two weeks ago in a recovery that has been led by butts (+60%), picnics (+52%), loins (+35%), and ribs (+23%). Hams and bellies, however, continue to reside amid historical lows, mostly due to the fact that massive amounts of these primals remain in cold storage and specifics regarding the markets they typically serve (especially hams which have a large export component to Mexico and bacon (bellies) which has a prominent place in restaurants and food service). Seasonally, carcass values start to improve around this time of year, but complications associated with Covid-19 could prove to add another dynamic to the market this year, especially if retail buying tapers off as folks start 'using up' the product initially pulled forward due to stocking up. Lean hog futures gapped higher into expanded limit territory this morning at the open but have moderated as of this writing despite maintaining some strength. The nearby contracts will be allowed to trade into expanded limits after reaching the \$3.00 USD/cwt trading limit yesterday. Follow through buying will be key but there is just too much uncertainty to make a decisive and *consistent* move higher at present. Covid-19 may be supportive at first, and the idea that China is opening back up again is also supportive. But a longer-term event that pressures the broader economy will be a negative if it should come to pass and many are calling for a recession, at minimum, in recent days.

Canadian delivered soymeal prices opened mixed this morning.

US soybeans are backing off this morning after closing higher over the last three sessions. There is talk that some strikes in South America were being postponed amid the current Covid-19 outbreak. China has been buying beans (including American ones), but the buying pace is still off what is needed to reach previous levels, not to mention meeting Phase One commitments. Brazil harvest is estimated at 68% complete which is about 3% higher than the five-year average pace.

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

push lower but has not yet breached the \$3.32 USD/bu low put in on March 18. The nearby corn contract is currently trading at \$3.40 USD/bu and really needs a positive demand or negative supply story to develop in order to provide some rationale to move higher. Unfortunately, the export market, while following a seasonal pattern, is at the lower end of the historical trendline, and there was a report surfacing yesterday that some of the smaller ethanol refineries could shutter operations, especially now that energy prices are so low. Combined, these channels represent about 48% of annual US corn utilization.

US Slaughter	
497,000	Monday
479,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$58.10
W. Corn Belt	\$58.05
National	\$65.54
ML Signature 5	\$161.29
HyLife (prev. day)	\$165.32
TCP/BP2	\$161.29
BP4/TCP4	\$168.47
BoC Rate (Noon) prev. day \$1.4482 CAD / \$0.6910 USD	
Cash Prices Week Ending March 21, 2020	
Signature 3	144.29/65.45
Signature 4	158.51/71.90
Signature 5	151.40/68.67
h@ms Cash	156.51/70.99
HyLife	158.63/71.95
BP4/TCP4	147.68/66.99
2020 Top-Up (YTD Rolling Est.) \$10.57 CAD/ckg	
ISO Weans \$14.68 US Avg.	
Feeder Pigs \$50.89 US Avg.	

Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		167.63	151.96 168.09	172.45 180.90	182.05 184.61	166.62 184.66	155.61 160.73	153.41 159.87	147.26 150.34	146.75 150.34
Maple Leaf Sig 5		161.19	146.30 162.96	168.12 176.32	176.71 178.01	149.19 178.19	139.61 144.56	136.00 148.74	127.02 131.84	129.68 133.14
Soymeal Delivered Wpg/S.Man	563	563	563	550	550	538				

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All h@ms Marketing 2020 District meetings have been CANCELLED