

# Hog Margin Outlook

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Wednesday, March 25, 2020

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

cash markets are higher for the third consecutive day with ISM, WCB, and National regions up by \$1.66, \$1.67, and \$1.38 USD/cwt, respectively. Anecdotal strength in export market pricing and ideas that large retail purchases amid the current Covid-19 outbreak have been supportive. The daily cut-out report shows some impressive gains in the primals with butts up 68.6% from two weeks ago (pre-Covid-19 buying in the USA) while ribs are at their highest level for this marketing week since the report was formatted this way in 2013; loins and picnics are also higher. The trajectory is far from consistent, however. Massive amounts of pork in cold storage are currently estimated 7.5% higher than year ago and 6.4% higher than the five-year average according to the most recent release on March 23. Bellies saw a massive 38% increase in cold storage inventory compared to year-ago (50% higher than the five-year average(!)) partially explaining why the primal is hovering at historical marketing week lows and in stark contrast to the support seen in the other cuts. The net value of the carcass is now at its highest level for the current marketing week with the exception of 2014, but the trajectory could be disrupted in the -mid-to-longer terms especially if Covid-19 restrictions are intensified and/or the economy tips into a recession which, as a reminder, was being discussed well before Covid-19 entered the picture. The recent virus outbreak might simply be the spark that sends the economy lower. Lean hog futures were trading mixed at the open and lower as of this writing. Strong follow through buying has not materialized more than two sessions recently, highlighting the ongoing uncertainty in the marketplace. Exports remain descent and the seasonal tightening of supplies is only a few weeks away if the historical trend holds. However, a main focus will be on the domestic market this year and market watchers will be closely monitoring consumer behavior and to see if the current spike in retail offsets weakness in foodservice and restaurant sectors. The domestic market is still the prime channel for pork disappearance in the USA and domestic disruptions will have an impact on demand.

## Canadian delivered soymeal prices opened mixed this morning.

An apparent tightening of meal stocks in China is providing support for meal and bean futures as the country moves past its initial Covid-19 outbreak and ramps up meat production (and distribution). Successive or 'second wave' outbreaks will be closely watched for but in the meantime, there is an increasing demand for feed ingredients as protein production starts back up, not to mention ongoing post-ASF start up attempts. Beans have rebounded from the lows put in last week and are ~12 cents USD/bu away from \$9.00/bu which was considered a support price not all that long ago.

## US corn futures opened higher this morning.

After trading under significant pressure last week, US corn futures are finally starting to see some support. The last two sessions have made incremental gains at the close and if the trend holds, a new price higher could be the result at the close today as well. The move is likely more technical than fundamental at this point, however, as US corn was very oversold a couple sessions ago and while the fundamental picture was not bright, the demand concerns are largely thought to be priced in for now.

US Slaughter	
498,000	Tuesday
470,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$59.76
W. Corn Belt	\$59.72
National	\$66.92
ML Signature 5	\$165.37
HyLife (prev. day)	\$170.56
TCP/BP2	\$165.37
BP4/TCP4	\$172.12
<b>BoC Rate (Noon) prev. day</b> \$1.4491 CAD / \$0.6900 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
<b>2020 Top-Up (YTD Rolling Est.)</b> \$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		166.73	151.42 167.45	171.77 180.16	181.13 183.68	163.88 183.73	152.94 158.03	150.37 157.30	144.25 147.31	143.74 147.31
Maple Leaf Sig 5		160.34	145.81 162.36	174.25 175.62	175.82 177.12	146.52 177.30	137.00 141.92	133.01 146.20	124.07 128.86	126.71 130.16
Soymeal Delivered Wpg/S.Man	561	561	561	552	552	542				

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**All h@ms Marketing 2020 District meetings have been CANCELLED**