

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, March 26, 2020

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

Forward contract prices opened mostly lower this morning. US

cash markets are mixed with ISM and WCB down by \$0.26 and \$0.22, respectively, while the National region gained \$0.62 USD/cwt relative to the previous session. The recent cash trajectory is in question with a lot of uncertainty looking forward. While weekly exports were relatively good (more on this below) and while exports have been a primary focus until recently, the domestic market is now front and centre. The pork cut-out saw some steep declines yesterday, with butts down a whopping \$18.32 while bellies were also down double digits coming in \$12.52 USD/cwt lower on the day. Retail sales (especially last week) saw meat cases cleared in some instances, as consumers stocked up ahead of Covid-19 uncertainty. However, foodservice and restaurant activity has basically ground to a halt in places as social distancing keeps folks at home and establishments not offering a take-out or delivery options have been ordered closed by officials amid the outbreak. On one hand, there are ideas that retail (grocery) purchases could offset foodservice and restaurant weakness, but on the other hand, there are ideas that 1) retail will not *completely* offset restaurant losses, and 2) that the recent uptick in retail may not be sustained in the longer term as people start to use up what they bought – there is no supply shortage presently and meat cases are being restocked. It is therefore likely a timing issue; that is to say, if Covid-19 restrictions on foodservice and restaurants last for a while, meat demand could plateau at some, as yet unknown level and some cuts could see more weakness than others. There is anecdotal evidence the restaurant industry utilizes approximately 70% of domestic bacon (bellies) suggesting further pressure on that abundantly available primal if closures last. Lean hog futures are lower this morning as ample supplies and a very uncertain domestic demand profile looms over the market. A bright spot this morning was the Weekly Export Sales report showing an 8.2% increase over last week in net sales (38,500 MT) which is 67.8% higher than the five-year average pace. Physical deliveries came in at 48,600 MT, 12.9% higher than week-ago, and 116.3% higher than the benchmark typically seen in this marketing week. Exports are good (and at historical levels), but the market is very much focused on domestic demand uncertainty especially amid record pork production. The Quarterly Hogs and Pigs report will be released after trading today for an outlook on the supply estimates on the way.

Canadian delivered soymeal prices opened lower this morning.

Net sales of US soybeans were up 43.2% compared to last week coming in at 904,300 MT. The volume stands in contrast to the five-year average volume typically seen in this marketing week or ~248,000 MT on average. Physical deliveries were 25.6% higher than week ago but the 607,100 MT volume was 18.8% lower than the five-year average.

US corn futures opened lower this morning. This morning's Export Sales report showed net sales of US corn at 1.8 MMT. Like beans, net sales were also higher than week-ago and 117% higher than the five-year average. Despite this, accumulated exports are still 31% lower than the five-year average and at the bottom end of observations going back to 2013. Physical deliveries came in 12.8% lower than last week and were 23.9% lower than the five-year average.

US Slaughter	
498,000	Wednesday
486,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$59.50
W. Corn Belt	\$59.50
National	\$67.54
ML Signature 5	\$163.71
HyLife (prev. day)	\$172.24
TCP/BP2	\$163.71
BP4/TCP4	\$171.45
BoC Rate (Noon) prev. day \$1.4302 CAD / \$0.7000 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		156.62	140.79 156.52	160.76 169.00	171.61 174.11	153.58 173.24	142.81 147.82	141.61 146.49	135.62 138.62	135.12 138.62
Maple Leaf Sig 5		150.23	135.15 151.39	156.42 164.41	166.28 167.55	136.37 166.79	127.00 131.84	124.51 135.48	115.75 120.45	118.34 121.72
Soymeal Delivered Wpg/S.Man	539	539	539	533	533	525				

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All h@ms Marketing 2020 District meetings have been CANCELLED