

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, April 1, 2020

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Forward contract prices opened mostly lower this morning. US

cash markets are mixed mid-week with ISM and WCB down by \$1.22 and \$1.48, respectively, while the National region is up by \$0.04 USD/cwt. The retail surge that was initially opined by many to be supportive further out appears to be relatively short-lived for now. The pork cut-out (one of the few indicators analysts have to gauge the 'real-time' market) has seen some cuts under extreme pressure suggesting that retail has not offset foodservice/restaurant weakness as a result of Covid-19 closures and other demand disruptions. While ribs only make up about 5% of the value of the carcass on average, the primal has seen unprecedented volatility. Last week, ribs were at a marketing week high (\$173.19 USD/cwt), but this week, the primal has plunged to historical lows and saw a \$50.00 move lower in just one day this week (!) - ribs are currently at \$116.46. Other primals are also under pressure; butts, picnics, hams, and bellies have also seen abrupt drops in value with bellies and hams now residing at historical lows. Only loins have maintained relative value and are still at the upper end of the range for this marketing week, but they too have backed off from last week's upward trend. Lean hog futures gapped lower at the open and the April to August contracts have locked limit low as of this writing; October and December contracts are likewise lower but have bounced off the lows occasionally in the early morning trade. The futures markets have not yet discovered a bottom and it will likely take more certainty on the economic impacts of Covid-19 for them to do that. The situation is dynamic and new reports surface daily. Yes, folks will continue to eat at home, but the idea that the loss of foodservice/restaurant demand will equally be replaced in the retail sector is very much under question at this time and recession concerns are likewise pressuring. Demand from all channels – domestic and export – are needed to absorb the massive supply of pork currently expected.

Canadian delivered soymeal prices opened lower this morning. US

soybean and meal futures are lower as the market continues to price in the abundant supply expectations following yesterday's Prospective Plantings report. While the USDA reported planted acreage to come in lower than the average pre-market estimate (normally bullish), the 83.51 million acres expected is still at the upper end of the historical range and markedly higher than last year's 76.10 million acres although last year is a poor benchmark due to the inclement weather. Concerns on weakening demand is also pressuring.

US corn futures opened lower this morning. The USDA provided a pro-

spective planting number that came in amid historical highs. The 96.9 million acre estimate is the second largest corn planting estimate going back to 1937(!). There is considerable debate if farmers will indeed make good on these intentions (including bean acreage) as the marketing environment has changed significantly since the survey was completed (i.e. Covid-19 and the oil shocks) and yesterday's report only reflects best information at the time. As such, adjustments to consecutive estimates (i.e. WASDE reports) are expected.

US Slaughter	
493,000	Tuesday
475,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$55.55
W. Corn Belt	\$55.33
National	\$66.63
ML Signature 5	\$155.84
HyLife (prev. day)	\$166.01
TCP/BP2	\$155.84
BP4/TCP4	\$167.79
BoC Rate (Noon) prev. day \$1.4187 CAD / \$0.7050 USD	
Cash Prices Week Ending March 28, 2020	
Signature 3	153.95/69.83
Signature 4	169.58/76.92
Signature 5	161.76/73.37
h@ms Cash	167.58/76.01
HyLife	169.84/77.04
BP4/TCP4	158.51/71.90
2020 Top-Up (YTD Rolling Est.) \$10.36 CAD/ckg	
ISO Weans \$16.09 US Avg.	
Feeder Pigs \$46.36 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig 4		111.51 127.36	131.64 139.94	147.29 149.81	139.18 153.75	128.38 133.40	128.44 131.95	124.44 127.44	123.94 127.44
Maple Leaf Sig 5		105.34 121.70	126.76 134.82	141.54 142.82	121.67 146.95	112.28 117.13	113.12 120.68	104.34 109.05	106.93 110.32
Soymeal Delivered Wpg/S.Man	535	535	531	531	525	521			

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