

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, April 2, 2020

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Forward contract prices opened mostly lower this morning. US cash markets are under pressure with the ISM and WCB sharply lower by \$4.76 and \$4.54, respectively, while the National region is down \$1.25 USD/cwt relative to the previous day. Concerns regarding abundant supplies are being exacerbated by weakness in the carcass cut-out which has recently come under abnormal pressure. Last week, some market watchers were suggesting that the recent spike in demand at the retail level could be a factor in providing support. However, the demand that surfaced last week has not apparently carried forward if cut-out pricing is any indication. To be clear, the jury is still out on the longer-term demand profile and this week's volatility could simply be a matter of an adjustment period while new demand profiles are established in a Covid-19 marketing environment. Cut-out pricing by itself cannot be used concretely to assess domestic demand, but it will be closely watched for clues on direction. Lean hog futures once again gapped lower at the open and are all trading lower as of this writing. Yesterday, the trade saw all contracts settle at limit low values which triggered expanded trading limits today. Four out of the six contracts offered to forward contract against are trading in expanded limit territory in the early morning trade as the market comes under intense pressure related to ongoing Covid-19 concerns. The demand profile further out could be pressured even more so than currently estimated especially if the economy tips into a recession. That event is looking increasingly more likely and the latest employment numbers coming out of the USA are showing another 6.6 million people have filed for unemployment just this week – last week 3.3 people filed; the highest number of claims in US history in a week was in 1982 with 695,000 filing. This morning's export sales report maintains the trend seen since the beginning of the year and is considered 'good'. Net sales were in line with week-ago numbers and 95% higher than the five-year average pace. Physical deliveries were lower than last week, but 89% higher than the five-year average. China took approximately 40.3% of the weekly deliveries which is slightly higher than the average trend suggesting logistics have not been impeded due to Covid-19 port challenges. Regardless, this morning's report has not been enough to keep futures from the intense pressure seen recently.

Canadian delivered soymeal prices opened lower this morning. This morning's export sales report showed net sales of 957,400 MT which is 6% up from last week and 171% higher than the five-year average for this marketing week. China committed to 131,000 MT but has not yet really entered the US market consistently or in force. Physical deliveries came in at 468,000 MT which is 23% lower than last week and 19% lower than the five-year average benchmark.

US corn futures opened higher this morning. US corn futures have received some support this morning relieving some of the pressure seen over the past couple sessions. While new net sales were lower than previous weeks, the trend since the beginning of the year remains in place and is 29% higher than the volumes typically seen in this marketing week. Physical deliveries are in line with the seasonal trend and 48% higher than last week, but 2% lower than the five-year average.

US Slaughter	
485,000	Wednesday
482,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.79
W. Corn Belt	\$50.79
National	\$65.38
ML Signature 5	\$148.67
HyLife (prev. day)	\$163.24
TCP/BP2	\$148.67
BP4/TCP4	\$164.98
BoC Rate (Noon) prev. day \$1.4217 CAD / \$0.7034 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		100.89 116.73	121.00 129.30	137.68 140.20	134.03 145.87	126.10 131.14	126.62 130.15	123.15 126.17	122.64 126.17
Maple Leaf Sig 5		94.55 110.90	115.96 124.01	131.75 133.03	119.34 138.92	109.92 114.78	111.73 118.77	102.90 107.63	105.51 108.91
Soymeal Delivered Wpg/S.Man	525	525	520	520	516	524			

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