

Hog Margin Outlook

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Monday, April 6, 2020

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Forward contract prices opened mostly higher this morning. US

cash markets are mixed to start this holiday-shortened week with ISM up \$0.22, WCB down \$0.03, and National down \$2.47 USD/cwt. The bloodletting in the carcass cut-out pricing appears to have subsided somewhat for now with the net value of the carcass *only* down by \$1.84 on Friday relative to the previous day. To put that into perspective, Friday's daily carcass value was down by \$21.83 (27.6%) relative to the previous weekly average price. Now, the weekly price when published later this week will likely not be as drastic, but it will still reflect weakness in the cut-out that is unprecedented. The most the carcass value has ever dropped since the new report was constructed in 2013 was by \$14.01 (12.1%) in marketing week 43 (October) in 2014. The headwinds of 2020 are not yet over either. There are reports that plants in the USA are slowing down production lines in an effort to curb the spread of Covid-19 and adjust to new demand profiles. There is anecdotal evidence that some primals are being sent straight to rendering as the impacts of demand disruption appear. While cut-out pricing may be starting to reflect demand profiles in a Covid-19 marketing environment on the pork side, the effects on live animal pricing have yet to be fully revealed. Of course, as processors adapt to the new reality, retail demand will likely offset a degree of weakness currently seen in the restaurant and foodservice sectors, but where live prices ultimately settle remains entirely unknown at present. Lean hog futures are starting the week off on a stronger note with all contracts higher as of this writing. The early morning trade was mixed at the open but has settled into an upward pattern shortly after the opening bell. The current move could reflect any number of things and potentially suggest that a bottom has been established for now, but markets are extremely volatile and sensitive to new information. When futures are averaged and compared to the five-year cash values over the same timeframe, futures are ~32% lower than the cash benchmarks. In sum, the market has a bit of way to go and follow through buying will absolutely be necessary for a full recovery to be realized, but which is also likely some time away.

Canadian delivered soymeal prices opened lower this morning.

Revisions to the soybean crush originally released last Wednesday have provided bean futures with some underlying support this morning. The USDA initially published 181.6 million bu. were utilized but revised the estimate lower to 175.3 million bu. The trade has meanwhile consolidated around the \$8.55 USD/bu mark and appears to be establishing a support line, but the market remains volatile and no new trend has been established in recent sessions.

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

trade under pressure as they have over the past seven sessions. While exports are reflecting seasonal trends so far, they are at the lower end of historical observations. Domestically, ethanol demand is a larger concern and as motorists drive much less, demand for fuel in general is impacting demand. There are reports that some refinery storage space is becoming limited and the ongoing rift between Saudi Arabia and Russia is keeping global energy prices at the lows.

US Slaughter	
2.565 mil,	Last Week
2.464 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$43.84
W. Corn Belt	\$43.65
National	\$61.47
ML Signature 5	\$133.73
HyLife (prev. day)	\$153.41
TCP/BP2	\$133.73
BP4/TCP4	\$154.31
BoC Rate (Noon) prev. day \$1.4142 CAD / \$0.7071 USD	
Cash Prices Week Ending April 4, 2020	
Signature 3	137.57/62.40
Signature 4	166.28/75.42
Signature 5	151.92/68.91
h@ms Cash	164.28/74.52
HyLife	161.63/73.31
BP4/TCP4	169.58/76.92
2020 Top-Up (YTD Rolling Est.) \$10.64 CAD/ckg	
ISO Weans \$10.23 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		93.67 104.95	109.21 117.48	126.96 129.46	128.09 139.86	126.46 131.47	127.01 134.15	128.14 131.15	127.64 131.15
Maple Leaf Sig 5		87.49 98.95	103.99 112.02	120.90 122.17	117.97 132.86	110.38 115.22	115.01 119.22	108.09 112.80	110.69 114.07
Soymeal Delivered Wpg/S.Man	502	502	505	505	505	506			

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