

# Hog Margin Outlook

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Tuesday, April 7, 2020

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

cash markets are lower with ISM, WCB, and National regions down \$3.53, \$3.30, and \$2.54, respectively, relative to the previous day in USD/cwt. While weakness to this degree at this time of year is uncommon (but not unheard of), this year's moves stand in contrast to optimism seen not that long ago on ideas that spring would usher in tightening supplies and stronger domestic demand while export demand remained strong. That all changed when Covid-19 appeared. To say domestic demand has been disrupted would be an understatement. Market watchers now see daily reports, news items, and updates highlighting the challenges of marketing in a Covid-19 environment. A beef and a pork plants in the USA have shut down due to outbreaks of the virus among employees on the line. Others are putting health and safety protocols in place to keep lines running and employees healthy. Foodservice and restaurant demand have been abruptly turned lower and there is an increasing body of reporting strongly suggesting the retail sector will be unable to offset the loss despite an initial run on the meat case. The net result is a turn lower in cash prices as demand for live animals is curbed due to weakening net demand, slower line speeds, and plant closures. This week (marketing week 15) typically sees the low put in place on average before ramping up into the summer and while the low trend will likely be reflected this year as well, a recovery in cash is not yet clear. Today, the daily National is 9% lower than the weekly five-year average while the WCB is down 33% relative to the benchmark. Lean hog futures meanwhile have seen strength that started to develop yesterday, and six of the seven contracts have reached limit-up as of this writing. The fundamentals have not changed, and domestic demand further out is still under question. However, the market has been technically oversold in recent sessions and the move could simply be the result of managed money repositioning. Could a low have been discovered? That is entirely possible, but a couple more sessions of strength and/or weakness that does not breach support levels will be needed in order to make that declaration. The market has not made a full recovery just yet and remains as volatile as ever.

## Canadian delivered soymeal prices opened lower this morning. On

Thursday, the USDA will release the April WASDE report mid-trade. Analyst estimates ahead of the report suggest ending stocks to come in at 430 million bu. compared to 425 million bu in the March report. Soybean planting progress is expected to be reflected in next week's Crop Progress report, but the jury is still out on acreage as planting intention surveys were completed prior to the Covid-19 outbreak.

## US corn futures opened higher this morning. US corn futures are seeing

some strength this morning after the nearby contract reached contract-closing lows yesterday. Fundamentals in US corn remain weak and technical indicators have likewise revealed weakness. It is in this context that corn has turned around this morning, but due to ongoing demand concerns and a large expected new crop, the move is likely a function of technical reasons. Analysts ahead of Thursday's WASDE report have pegged ending stocks to come in at 2.004 billion bu. on average against 1.892 billion bu. in last month's report.

US Slaughter	
477,000	Monday
476,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$40.31
W. Corn Belt	\$40.35
National	\$58.93
ML Signature 5	\$126.13
HyLife (prev. day)	\$146.68
TCP/BP2	\$126.13
BP4/TCP4	\$147.77
<b>BoC Rate (Noon) prev. day</b> \$1.4127 CAD / \$0.7080 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		102.95 114.13	118.35 126.55	135.20 137.68	135.90 147.52	133.30 138.24	135.15 140.22	134.22 137.22	133.73 137.22
Maple Leaf Sig 5		96.99 108.35	113.35 121.30	129.38 130.63	126.06 140.76	117.56 122.34	123.10 127.51	114.34 119.03	116.93 120.30
Soymeal Delivered Wpg/S.Man	492	492	496	496	496	497			

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