

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, April 9, 2020

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**Forward contract prices opened mostly mixed this morning.** US cash markets are lower with ISM, WCB, and National regions down \$0.11, \$0.17, and \$1.09 USD/cwt, respectively, relative to the previous day. An abundance of live supplies at precisely the same time slowing line speeds and US plant closures are materializing as a result of Covid-19 complications are pressuring bids. On the meat side, the cut-out has come under extraordinary pressure as a function of shifting domestic demand profiles. The daily net value of the carcass is down by another \$3.32 USD/cwt and historical low-price records are being smashed in the individual primal cuts. For example, bellies, hams, ribs, and butts have all reached record lows and are currently residing at values \*never\* seen since the 'new' report was configured in 2013. The lone bright spot is found in loins, which are still relatively high, but even that cut has recently come under pressure; picnics are amid historical lows but have not yet broken the lowest value on record. The abrupt and virtual evaporation of demand from the restaurant/foodservice demand is responsible for the declines and there is an increasing chorus of analysts suggesting retail demand will not offset the losses completely. Some operations have had to shift from packing for a restaurant/foodservice customer to focusing on retail (grocery) and there are anecdotal reports surfacing that bellies have been sent straight to rendering in some instances in the meantime (approximately 70% of bacon is consumed in the restaurant/foodservice sector). Lean hog futures are once again lower this week despite the weekly Export Sales report released this morning that would otherwise have been considered good. China took 45.3% of the weekly 38,300 MT total in physical deliveries. While weekly deliveries were down 4.8%, they are still maintaining the trend seen since the beginning of the year and came in 69.2% higher than the five-year average for this marketing week. Net sales to all regions were up 46.6% week over week and 54.5% higher than the five-week average. China committed to another 38,700 MT in future deliveries. Export sales will absolutely need to be maintained at these levels, especially since there are so many challenges on the domestic front currently.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are lower ahead of what is expected to be a neutral-to-bearish WASDE report that will be released later today and the weekly Export Sales report that was released this morning. Marketing year low volumes in physical exports were reported, coming in at 362,000 MT or 22.7% lower than week ago. The volume is also 38.9% lower than the five-year average. Net sales were also lower for this reporting week with new commitments down 45.3% relative to the previous week but somewhat in line with the seasonal trends.

**US corn futures opened lower this morning.** US corn futures are likewise lower on poor net-demand outlooks (all channels) despite an export sales report that could be considered good. Net sales (commitments) were up 72% week over week and notably higher than the averages typically seen in this marketing week. Physical deliveries were 10.3% higher than the average and 2.5% higher than week ago. However, the 1.29 MMT volume is still residing at the lower end of seasonal trend.

US Slaughter	
478,000	Wednesday
480,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$40.00
W. Corn Belt	\$40.00
National	\$56.06
ML Signature 5	\$121.27
HyLife (prev. day)	\$137.99
TCP/BP2	\$121.27
BP4/TCP4	\$139.64
<b>BoC Rate (Noon) prev. day</b> \$1.4034 CAD / \$0.7130 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
<b>2020 Top-Up (YTD Rolling Est.)</b> \$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		108.30 119.43	122.65 133.29	137.13 140.84	140.71 146.70	134.29 138.74	133.34 134.88	130.91 132.90	130.41 133.89
Maple Leaf Sig 5		97.05 108.07	112.52 122.32	126.99 130.21	122.42 136.41	115.26 119.83	117.29 120.95	109.72 113.89	112.30 115.65
Soymeal Delivered Wpg/S.Man	487	487	494	494	493	494			

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## **h@ms Marketing Services will be closed**

Friday, April 10 for Good Friday - Markets are closed and forward contracting is suspended.

The HMO and Opening Price reports will not be published on Friday.

On Monday, Risk Management is open but the office will have reduced staff levels.

Normal business resumes on Tuesday, April 14.