

Hog Margin Outlook

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Thursday, April 23, 2020

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Forward contract prices opened mostly mixed this morning. US

cash markets are higher with WCB and National up by \$2.46 and \$1.68 USD/cwt, respectively. The ISM region, reporting for the first time since Monday due to confidentiality, was \$3.07 higher relative to when the region last reported at the beginning of the week. The recent cash moves mark a 'flattening out' of the recent trend that has seen unprecedented, counter seasonal pressure over the past couple weeks. As at April 22, Uner Barry was reporting that at least 10 primary and secondary US pork packing plants were closed or partially closed due to Covid-19 outbreaks on the production line and representing approximately 15% of US processing capacity according to Reuters. Reportedly, line speeds are slowing as well and there is anecdotal evidence American hog producers are being asked to scale back delivery or are unable to deliver and are holding hogs at the farm for now. The slowing down of the pipeline is showing up in the data. Daily slaughter was down 25.5% and 23.9% for Tuesday and Wednesday this week, respectively, compared to year ago; Monday's data is not comparable due to Easter disruptions but 21.3% lower compared to 2018; all numbers represent a stark contrast to the pace since the beginning of the year that was showing that the daily kill was approaching levels 8% higher than year ago on average (!). Lean hog futures are mixed at the open with the nearbys showing strength while the deferreds continue to trade under pressure. This morning's export sales report once again showed good export volumes and commitments especially when compared to the trend normally seen at this time of year. While new net sales (commitments) were down 13% relative to the previous week, the 39,800 MT represents volumes 32.2% higher than the five-year average and residing at a pace that, except for 2016, is above the benchmarks. Physical deliveries came in at 40,900 MT and maintaining the pace, more or less, since the beginning of the year (83.8% higher for week ending April 16). Of that, China took 18,400 MT or 45% of the total weekly volume on the report.

Canadian delivered soymeal prices opened lower this morning. The

early-morning Export Sales report for week ending April 16 showed beans are still waiting for the expected increase in demand from China. Net sales (new commitments) came in 40% higher than week ago but 2% lower than the five-year average. The 344,900 MT in new commitments is the third lowest volume since the beginning of the calendar year. Physical sales came in ~1% higher than week ago but 26.4% higher than the five-year average at 528,600 MT.

US corn futures opened higher this morning. There was talk that China

could issue new tariff waivers on US corn amid the low prices and in an effort to achieve Phase One commitments. The news is speculative for now, but corn futures have shown some support today, presumably on this news and ideas that the trade has been oversold on technical grounds for all this week. Net export sales remain poor in the meantime, coming in 32.6% lower than the five-year benchmark and 19.8% lower than last week. Physical deliveries were the lowest going back to 2013 at 830,700 MT which is 37.2% off the pace normally seen this week.

US Slaughter	
363,000	Wednesday
479,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$36.07
W. Corn Belt	\$36.24
National	\$52.96
ML Signature 5	\$113.49
HyLife (prev. day)	\$132.28
TCP/BP2	\$113.49
BP4/TCP4	\$132.96
BoC Rate (Noon) prev. day \$1.4155 CAD / \$0.7065 USD	
Cash Prices Week Ending	
April 18, 2020	
Signature 3	91.39/41.45
Signature 4	128.73/58.39
Signature 5	110.06/49.92
h@ms Cash	126.73/57.48
HyLife	125.98/57.14
BP4/TCP4	143.70/65.18
2020 Top-Up (YTD Rolling Est.) \$11.68 CAD/ckg	
ISO Weans \$5.60 US Avg.	
Feeder Pigs \$20.17 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig 4		121.72 122.22	125.21 136.67	133.97 137.72	137.54 145.59	132.29 135.54	130.30 131.30	126.57 128.56	126.07 129.55	122.58 137.15
Maple Leaf Sig 5		106.88 108.40	112.76 124.28	122.38 125.63	118.72 133.88	112.12 116.10	112.07 116.93	104.36 108.53	106.94 110.30	103.60 121.56
Soymeal Delivered Wpg/S.Man	499	499	503	503	504	505				

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Some Important Phone Numbers

Main Office: 204-233-4991

Toll Free: 1-800-899-7675

Logistics: 204-235-2225

Risk Management: 204-235-2237

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