

Hog Margin Outlook

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Friday, April 24, 2020

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Forward contract prices opened mostly higher this morning. US

cash markets are higher to finish the week with ISM, WCB, and National reporting regions up by \$0.78, \$0.33, and \$0.97 USD/cwt relative to the previous day, respectively. The past two days have seen prices move upward which has had a stabilizing effect on the weekly average cash base prices. Weekly prices for week ending April 25 are still lower than week ago, but the precipitous drop seen earlier in the month appears to have subsided for now. The WCB is 'only' down by \$0.77 while the National region is \$0.20 lower compared to week-ago. The net result, however, has been to see unprecedented counter seasonal pressure relative to the trends normally observed at this time of year; the weekly National base price is 24% lower than the five year average for this marketing week while the WCB base is lower by a whopping 46% (!). Despite the release of pressure this week, cash markets are not out of the woods yet. Estimates of up to 15% of processing capacity has been lost in recent weeks according to a Bloomberg article published yesterday keeping downward pressure on pricing and placing US hog producers in a very difficult position. In addition to weakening prices, news items are starting to appear that American hog producers may be already culling market-ready animals and an article surfaced yesterday that 200,000 animals could be at risk in the state of Minnesota alone (for example) as a result of the fallout taking place due to partial or complete (temporary or otherwise) pork plant shut downs. The situation is highly dynamic and will be watched very closely. Lean hog futures continued upward this morning, following the trajectory that saw limit up levels reached in the front month contracts by the close yesterday, but have backed off as of this writing and appear to be in a consolidation pattern. If massive culls or destructions start to take place, and/or shortages develop because of decreased packing capacity, the market could attempt to price it in. However, volatility in the futures markets is likely going to be a feature of the market for the foreseeable future due the massive uncertainty taking place currently. Choppy and two-sided (and volatile) trade activity is expected in the meantime.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are starting the last trading day of the week off on a lower note, reversing the pattern that saw the past three sessions close higher on the day. As in other markets, volatility is a feature of the trade that has pushed values to contract lows. The nearby contract could once again test recent support levels, and indeed, actually breach those levels as the May contract did in the Tuesday session. There is talk China was in the market this week in an effort to replenish stockpiles amid the low prices. Thursday's Export Sales report will be closely watched for confirmation next week.

US corn futures opened lower this morning.

Like beans, US corn futures are starting the session lower and reversing a bit of support that was seen earlier in the week. There was talk that China could issue more tariff waivers and that they could include US corn, again, as the Chinese government initiates stockpiling initiatives. The buying activity has yet to be revealed, however, and while an increase in export activity to any market would likely be supportive (or at least, keep the downside in check), other issues especially in the ethanol market are weighing very heavily on the market presently.

US Slaughter	
363,000	Thursday
479,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$36.85
W. Corn Belt	\$36.57
National	\$53.89
ML Signature 5	\$114.20
HyLife (prev. day)	\$134.26
TCP/BP2	\$114.20
BP4/TCP4	\$134.52
BoC Rate (Noon) prev. day \$1.4063 CAD / \$0.7111 USD	
Cash Prices Week Ending	
April 25, 2020	
Signature 3	90.01/40.83
Signature 4	129.12/58.57
Signature 5	109.56/49.70
h@ms Cash	127.12/57.66
HyLife	N/A
BP4/TCP4	128.73/58.39
2020 Top-Up (YTD Rolling Est.)	
\$12.14 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		125.71 126.21	129.22 140.73	137.39 141.14	142.96 151.51	137.71 140.96	136.10 137.10	132.40 134.10	131.60 135.10	128.10 141.87
Maple Leaf Sig 5		110.86 112.38	116.76 128.33	125.84 129.09	124.22 139.90	117.61 121.60	117.64 122.77	109.89 114.08	112.48 115.86	109.13 126.39
Soymeal Delivered Wpg/S.Man	503	503	508	508	508	509				

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