

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, April 29, 2020

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Forward contract prices opened mostly lower this morning. US

cash markets are higher mid-week. The ISM and WCB negotiated regions were a whopping \$6.31 and \$6.25 higher, respectively, while the National was up by a more modest \$1.21 USD/cwt relative to the previous day. While there are reports surfacing of active culling taking place in the USA currently, there is not yet a 'shortage' of live supplies. However, if active culling (including isoweans) is maintained or ramps up, a live supply shortage could, in theory, develop, but probably only for a relatively short period of time (i.e. months). The point is, current culling activity is likely not behind the strength in negotiated cash markets today, but it could be further out. The daily net carcass value reached its highest level since 2014 when compared to the weekly average prices and strength on the meat side could be a feature of the market in the short to mid-terms especially if shortages develop in the retail channel. 'Shortages' likely would not be a food security issue in the short term, but rather, reflect a regional logistics issue. On that note, big news surfacing yesterday saw president Trump sign an Executive Order (EO) that uses the Defense Production Act to direct the USDA to ensure meat and poultry processors "...continue operations uninterrupted to the maximum extent possible..." (Hess, April 29, 2020, National Hog Farmer). Essentially, plants will be considered critical infrastructure and be 'ordered' to remain open. This morning, there are no details on when currently shuttered plants will reopen, if currently operating plants will be prevented from closing, operational guidelines, or if employees can be 'forced' back to work, among other issues. This development will be closely watched and likely generate a lot of media attention, especially if the issue develops into a contentious one. Lean hog futures have backed off the rally that developed on Monday and peaked in yesterday's trade mid-session. The market is reconciling ideas that there are still a lot of live supplies, processing bottlenecks, and the EO issued yesterday. There is no clear path presently, and the market remains highly volatile. Producers should not assume a couple 'up days' represent a trend of higher prices in the current marketing environment. While cash markets are showing some signs of reaching 'a bottom', the futures markets are still pricing in a lot of uncertainty.

Canadian delivered soymeal prices opened lower this morning.

Previously established support levels appear to be holding as the nearby US soybean futures contract continues to trade in the upper \$8.20 range and moving upward in the early morning session. There is not a lot of fundamental bullishness in the market although there is talk that China may be ordering cargoes of US beans despite maintaining shipments from Brazil. Tomorrow's Export Sales report will be closely watched to see if there is evidence of more purchase activity from China that was starting to be talked about last week.

US corn futures opened mixed this morning. appears to be carving out a

bottom. Yesterday saw the May contract reach a closing low at \$3.02 USD/bu. Today the trade is moving higher, but it is much too early to call it a new trend just yet. Demand for US corn in all channels needs to ramp up considerably before a full recovery can be made. In the meantime, good planting progress and weak demand is keeping any significant upside in check.

US Slaughter	
283,000	Tuesday
471,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$38.68
W. Corn Belt	\$38.68
National	\$56.10
ML Signature 5	\$119.15
HyLife (prev. day)	\$138.76
TCP/BP2	\$119.15
BP4/TCP4	\$139.20
BoC Rate (Noon) prev. day \$1.3978 CAD / \$0.7154 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	130.77/59.32
BP4/TCP4	128.73/58.39
2020 Top-Up (YTD Rolling Est.) \$12.14 CAD/ckg	
ISO Weans \$3.97 US Avg.	
Feeder Pigs \$17.66 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig 4		137.85	140.82 152.20	148.25 151.96	150.60 159.18	145.41 148.62	142.86 144.71	138.91 140.89	138.42 141.88	134.96 148.80
Maple Leaf Sig 5		124.41	128.73 140.16	137.04 140.26	132.22 147.84	125.69 129.63	124.76 130.70	117.11 121.25	119.67 123.00	116.35 133.47
Soymeal Delivered Wpg/S.Man	489	489	494	494	496	498				

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