

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, April 30, 2020

For details call: (204)235-2237 or visit www.hamsmarketing.ca

Forward contract prices opened mostly mixed this morning. US

cash markets are mixed with the ISM and WCB negotiated regions down by \$2.38 and \$1.41, respectively, while the National reporting region is up by \$2.40 USD/cwt. Despite the inconsistent moves, both regions are showing signs of discovering a bottom as the daily reference prices so far this week have been higher than last week's average reference price. To be clear, it is not a rally and further support is not guaranteed, but the recent price action is bucking the trend seen in recent weeks and could suggest that the current marketing environment (i.e. Covid-19 and demand disruption) is being priced into the regions. On that note, prices remain historically low; today's values are 16% lower (National) and 45% lower (WCB) than the five-year average weekly reference price typically seen in this marketing week. There are anecdotal reports surfacing that domestic US meat buyers are having some difficulties sourcing regional supplies, providing support to the cut-out which has recovered in recent days. Lean hog futures are mixed this morning and have been trading in a 'sideways' pattern since yesterday. The massive uncertainty in the marketplace is creating a two-sided and choppy trading profile as market participants trade the headlines while any support that has developed has not yet materialized into something more sustained. The weekly Export Sales report released early this morning showed the pace of exports net all regions is maintaining the trend seen since the beginning of the year. Net sales came in 26% higher than last week and 166% higher than the five-year average for this marketing week at 50,300 MT which is the second highest level for this calendar year. Physical deliveries showed the USA exported 44,700 MT all regions which is also the second highest level this year and 79.6% higher than the benchmark for this marketing week. Of that, China took 20,700 MT or approximately 46% of the weekly total. Exports are an important disappearance channel and if pricing was the only issue, increased export activity acts as a price support all else equal. However, Covid-19 supply disruption has attracted some scrutiny on export activity especially when contextualized with potential food security issues (not to mention the culling of domestic animals). If the domestic supply chain cannot be rapidly restored, even partially, media and other attention on exports amid the virus outbreak could get more intense and framed as a food security issue.

Canadian delivered soymeal prices opened higher this morning.

This morning's Export Sales report showed physical deliveries were up 8% compared to week ago and 19% higher than the five-year average coming in at 570,200 MT. But the real support developed in net new sales that saw a week-to-week increase of over 200% (!) and at a level 187% higher than the five-year average for this marketing week (1.078 MMT). The net sales numbers also show China did indeed commit to new sales as was being rumored last week taking 618,000 MT in new commitments.

US corn futures opened higher this morning. US corn futures are higher,

getting some help from the weekly Export Sales report that was considered generally good. While physical deliveries were lower than the five-year average, week over week volume increased by 27% and brought the numbers back over 1 MMT after falling below that level in the prior reporting week. Net sales were 86% higher than last week and 70% higher than the five-year average. Mexico was the big purchaser committing to 544,700 MT. China has not yet showed up in the numbers despite some chatter earlier that they could be looking to buy some cheap corn for state reserves and to satisfy some Phase One trade deal expectations.

US Slaughter	
271,000	Wednesday
471,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$36.30
W. Corn Belt	\$37.27
National	\$58.50
ML Signature 5	\$119.84
HyLife (prev. day)	\$143.93
TCP/BP2	\$119.84
BP4/TCP4	\$144.57
BoC Rate (Noon) prev. day \$1.3922 CAD / \$0.7183 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		138.15	141.11 152.45	147.94 151.65	149.05 158.31	143.87 147.08	140.69 143.28	136.74 138.71	136.25 139.70	132.79 145.67
Maple Leaf Sig 5		124.74	129.05 140.46	136.74 139.96	130.67 128.09	122.56 129.25	114.91 119.05	114.91	119.67 123.00	116.35 133.47
Soymeal Delivered Wpg/S.Man	498	498	502	502	503	505				

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