

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 21, 2020

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

| US Slaughter | |
|---|--------------|
| 492,000 | Thursday |
| 475,000 | Year Ago |
| Daily Prices | |
| Iowa/S. MN. | \$49.66 |
| W. Corn Belt | \$49.66 |
| National | \$59.75 |
| ML Signature 5 | \$130.60 |
| HyLife (prev. day) | \$139.13 |
| TCP/BP2 | \$130.60 |
| BP4/TCP4 | \$140.56 |
| BoC Rate (Noon) prev. day \$1.3254 CAD / \$0.7545 USD | |
| Cash Prices Week Ending February 22, 2019 | |
| Signature 3 | 119.44/54.18 |
| Signature 4 | 139.41/63.24 |
| Signature 5 | 129.42/58.70 |
| h@ms Cash | 137.41/62.33 |
| HyLife | N/A |
| TCP/BP2 | 130.93/59.39 |
| BP4/TCP4 | 142.92/64.83 |
| 2020 Top-Up (YTD Rolling Est.) \$11.74 CAD/ckg | |
| ISO Weans \$41.24 US Avg. | |
| Feeder Pigs \$61.14 US Avg. | |

Forward contract prices opened mostly lower this morning. US cash markets moved higher with ISM, WCB, and National moving up \$0.45, \$0.37, and \$0.16 USD/cwt., respectively. While there is still pressure from large available supplies and a demand profile that has so far been unable to offset, cash markets appear to be holding at current levels for now. Weekly cash prices were mixed when determined yesterday and regional base prices saw the National region \$1.33 lower relative to the previous week while the WCB was \$0.34 higher. The results see National and WCB lower by 12% and 19%, respectively, when compared to the same marketing week five-year average. Averaging masks some details, however. The five-year average suggests similar trends in both regions will be in place until marketing week 15 (week ending April 11 for 2020). But historically, cash markets saw strength return as early as two marketing weeks from now (2019, when it rallied from historical lows), as late as marketing week 18 or the beginning of May (2017) with 2018 matching the timing of the five year average spring rally. Massive supplies and logistics issues related to Covid-19 tempering short-term export demand could keep pressure on markets in the short term, or at least, prevent a sustained rally from developing at this time. There is no indication like last year, that buyers from any demand channel are hedging on the perception of short supplies in the near term. Lean hog futures are lower to finish the week. The weekly export sales report this morning showed 42,000 MT in physical deliveries, 19,400 MT in current marketing year new net sales, and no new commitments for the new marketing year (2021), which is typical for this time of year. Of that, China took 15,000 MT in deliveries, which is consistent with recent activity and somewhat surprising in the context of reported port and labour issues related to Covid-19. China also did not commit to any new major net sales commitments, but China is sitting on massive commitments currently and could likely just 'draw down' on them in the short term. Chinese officials announced this week that on March 2, tariff exemption certificates will be available for private buyers in the country. But it appears the market will have to wait for that event about two weeks from now, and then to see if it has any bearing on current commitment or physical delivery levels in subsequent reports. Futures values are 6% higher than historical cash settlements, on average, as of this writing.

Canadian delivered soymeal prices opened lower this morning. Outlook Forum estimates suggested new crop ending stocks could come in at 777 million bu which is lower than the previous estimate by 163 million bu, in part, by raising the export number 225 million bu above current projections. Some are suggesting the export numbers are too low in the context of Phase One commitments, but the market will simply have to wait for China to enter the US bean market in force, and they have yet to do so. Export sales numbers released this morning come in at 957,800 MT against a pre-report estimated range of 600,000 MT to 1,200,000 MT.

US corn futures opened mixed this morning. The Outlook Forum pegs US corn planted acreage at 86.6 million acres and a 148.5 bpa and while exports were raised to 2.1 billion bu., the consensus is that new production will offset the new demand. Exports sales numbers released this morning showed deliveries at 761,200 MT against a pre-report range of 700,000 MT to 1,200,000. The volume is following the seasonal trend but is at the lower end of historical volumes seen at this time of year. Net sales came in at a seasonal 1.2 MMT.

| Forward Range (at opening) | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
|--------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig 4 | | 144.40 148.39 | 155.22 158.50 | 162.49 177.52 | 181.27 189.02 | 188.11 190.69 | 170.69 191.52 | 160.57 165.28 | 155.93 163.66 | 150.30 153.12 |
| Maple Leaf Sig 5 | | 137.04 141.16 | 147.03 151.97 | 156.98 172.36 | 183.34 184.48 | 182.94 184.25 | 154.23 185.21 | 145.43 149.98 | 139.67 153.06 | 131.45 135.86 |
| Soymeal Delivered Wpg/S.Man | 445 | 453 | 459 | 459 | 466 | 466 | | | | |

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STRENGTH IN NUMBERS

