

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, February 25, 2020

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

US Slaughter

495,000 Monday
356,000 Year Ago

Daily Prices

Iowa/S. MN. \$48.49
W. Corn Belt \$48.48
National \$59.48

ML Signature 5 \$129.10
HyLife (prev. day) \$138.45
TCP/BP2 \$129.10
BP4/TCP4 \$140.21

BoC Rate (Noon) prev. day
\$1.3279 CAD / \$0.7531 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 138.43/62.79
TCP/BP2 130.93/59.39
BP4/TCP4 142.92/64.83

2020 Top-Up (YTD Rolling Est.)

\$11.74 CAD/ckg

ISO Weans \$38.60 US Avg.

Feeder Pigs \$57.79 US Avg.

Forward contract prices opened mostly higher this morning. US

cash markets are lower with ISM and WCB both down by \$0.79 while the National region made more modest \$0.17 USD/cwt move downward. Compared to the weekly five-year average seen in this marketing week, daily National is 10% lower while the WCB is 20% lower relative to the benchmark. Cash markets are not at the lows seen last year when they reached the lowest values in recent memory between February and mid-March, but they remain under pressure in very uncertain times. Updated cold storage numbers released yesterday show an abundance of pork in US freezers but at least one analyst reminds us that when increases in export activity are expected *at some time*, cold storage facilities usually fill up ahead of the anticipated demand. As such, cold storage is not necessarily a good indicator of demand per se, but it does show that there are some burdensome supplies, particularly in the belly primal. Total pork in cold storage for January came in 11.1% higher than year ago and 8.2% higher than the five-year average; bellies were 31.9% higher than year ago and 57% higher than the five-year average; loins were 43.4% higher than year ago and 24% higher than the five-year average; hams were 1.7% higher than year ago and 4.6% higher than the five year average. Combined, these three primal cuts make up approximately two thirds of the value of the carcass. Lean hog futures made a modest recovery at the open relative to the previous day's losses but are once again moving lower as of this writing. The market simply has no reason to follow through on any support in the face of ongoing Covid-19 concerns, potentially, as logistics become log-jammed and/or aggregate demand weakens as many actors including individuals could pare down typical economic behavior. As well, there are concerns of some supply-side challenges, especially for value-added industries that rely on supplies of components from China, for example, where many factories are still closed or only allowing a reduced workforce and workweek to resume. Lean hog futures are not at the lows seen at the beginning of February, but they are residing amid the low end of the spectrum and traders are taking a wait-and-see approach until more certainty returns. Risk off sentiment is likely to remain in the meantime.

Canadian delivered soymeal prices opened mixed this morning.

US soybean futures are levelling off in what some were calling a 'classic' risk-off liquidation seen yesterday. In a refrain that is starting to sound repetitive, Covid-19 uncertainty was at the forefront of the rationale for the move which pushed the nearby contract to lows not consistently seen since last June while testing the lowest of support levels. Until more certainty returns to the market, significant moves higher will likely be kept in check and likely 'trade the headlines' as virus news makes the rounds.

US corn futures opened mixed this morning. Like beans, US corn futures

are trading amid the lows after a pressuring session yesterday and still moving lower as of this writing. In addition to the ongoing Covid-19 concerns, large estimated acreage estimates from the US Outlook Forum last week continue to pressure. President Trump tweeted out Friday that more MFP payments could be coming to US farmers until trade deal agreements start to show results (Phase One and CUSMA/USMCA).

Forward Range
(at opening)

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4			147.61 152.09	158.46 173.32	177.33 185.11	184.68 187.04	167.64 188.39	157.50 162.21	154.01 161.25	148.35 151.18
Maple Leaf Sig 5			139.36 146.12	153.55 168.60	173.64 181.19	180.04 181.24	151.81 182.73	142.99 147.55	138.21 151.24	129.94 134.37
Soymeal Delivered Wpg/S.Man	445	448	454	454	463	463				

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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

STRENGTH IN NUMBERS

