

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, May 7, 2020

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

Forward contract prices opened mostly lower this morning.

The National reporting region continues to exhibit signs of a recovery and was \$3.55 USD/cwt higher relative to the previous day. Negotiated regions once again did not post daily values, citing confidentiality. The move in the National reporting region has now made up for all the counter-seasonal weakness that began at the beginning of April, is approaching the five year weekly average price, and is 'only' 4% off the pace. Strength in the cutout is aiding the price recovery for regions using a formula-based mechanism in price discovery. Yesterday, we reported that the Swine or Pork Market Formula (SPMF) 'basket' makes up about 28% of all hogs in the National pricing region. It does not; the 28% cited yesterday represents the SPMF component of all hogs *in total* including all regions and packer owned animals. The SPMF basket in the National region makes up about 48% of hogs in the formula so far this year, meaning moves in the cut-out will have a greater influence on that formula than expressed yesterday, all else equal, the results of which are being seen presently. The exact number of cut-out hogs still remains largely unknown, but cut-out hogs in the formula were estimated to be in the 40-50% range according to Steiner Consulting. In any event, formula-based pricing regions are showing much stronger prices than the negotiated ones; the WCB, for example, is 49% lower than the five year average and \$30.09 USD/cwt lower than its National counterpart using yesterday as the comparison point. Lean hog futures plunged lower at the open as the market continues to reconcile the sum of all current information. Futures markets remains highly volatile and a clear trajectory either higher or lower remains unclear for now. The move comes despite a relatively good weekly Export Sales report released this morning which would normally have likely provided some underlying support. While physical sales did come in 12% lower than week-ago, deliveries are still maintaining the pace seen since the beginning of the year and were 72% higher than the five-year average for week ending May 30; of that, China took delivery of 17,500 MT or ~44%. New net sales also came in lower compared to previous week but are maintaining a pace well above commitments normally seen at this time of year (169% higher than the average). While export sales remain impressive, they are still not enough to shake of the volatility currently being presented in the futures markets.

Canadian delivered soymeal prices opened lower this morning.

This morning's export sales report showed physical deliveries down 22% relative to the previous week, coming in at 440,500 MT but completely in line with normal seasonality. New net sales were likewise lower than week-ago but up over 200% relative to the five-year average. The really big volumes have yet to materialize, but those typically do not start to develop until about September. Rampant speculation on China's Phase One commitments persists in the meantime.

US corn futures opened mixed this morning.

Physical deliveries of US corn were up 33% relative to the previous week and 18% higher than the five-year average. The 1.4 MMT volume represented the largest corn deliveries for this marketing week so far in the calendar year and the third highest for this marketing week in the past 10 years. New net sales were 41% higher than the five-year average for this marketing week, but 43% lower than week-ago and still well off the pace needed to provide meaningful support further out. Very large ending stocks for new crop are currently being estimated.

US Slaughter	
312,000	Wednesday
471,000	Year Ago
Daily Prices	
Iowa/S. MN.	N/A
W. Corn Belt	N/A
National	\$70.11
Signature 4	\$175.16
HyLife (prev. day)	\$175.00
TCP/BP2	\$135.09
BP4/TCP4	\$175.16
BoC Rate (Noon) prev. day \$1.4124 CAD / \$0.7080 USD	
Cash Prices Week Ending May 2, 2020	
Signature 4	142.14/64.47
h@ms Cash	140.14/63.57
HyLife	144.98/65.76
BP4/TCP4	129.12/58.57
OlyWest	126.40/57.33
2020 Top-Up (YTD Rolling Est.) \$12.83 CAD/ckg	
ISO Weans \$5.91 US Avg.	
Feeder Pigs \$16.06 US Avg.	

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig 4		151.47 159.45	155.81 156.31	145.22 156.24	141.24 143.23	139.74 142.11	138.12 140.12	137.12 140.61	133.64 145.60
Soymeal Delivered Wpg/S.Man	494	499	499	501	503				

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