

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 8, 2020

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## Forward contract prices opened mostly lower this morning. US

daily cash markets are higher to finish the week will all reporting regions up relative to the previously published day (negotiated on Wednesday, formula on Thursday). Weekly settlement base prices in USD/cwt are higher for week ending May 9. The National formula-based price is \$10.36 higher representing the largest one-week move in the past five years and no longer at the lowest value for this marketing week (2018 was lower by \$2.38); the negotiated WCB region was up by a more modest \$0.92 but still well off the pace normally seen at this time of year coming in 48% lower than the five year average and 38% lower than 2018 which was also the previous low for the region. Regular readers of this column will note new pricing for reference regions in US dollars and local programs in Canadian dollars appearing for the first time today. Moving forward, the ISM price posted will reflect a formula-based ISM region using a modified version of the USDA's Im\_hg204 report as source data as opposed to previously referenced negotiated report. This price is now reported due to the addition of Olymel price reporting for delivery to Red Deer that will now be published on the HMO and the h@ms Marketing website. Additionally, HyLife added a new program to its price offerings using an 'adjusted' National report that incorporates elements of the US cut-out in a fashion similar to the Quebec 'cut-out' based window program announced earlier. There are important differences between the two and the HyLife Adjusted program is not a mirror image of the Quebec offering, but the addition of both programs represents a slight shift in price discovery in Western Canada. Lean hog futures are lower, giving up all the gains made at the start of the week. There is simply too much uncertainty further out to mount a steady recovery and the futures markets remain highly volatile. Despite talk of regional meat shortages, there is presently still a lot of live supplies available. This could change rapidly, of course, and recent (but so far 'regional') reports of culling could shrink supplies if the culls remain ongoing and/or become more widespread. For now, the market is not pricing in that event and uncertainty on a looming and protracted recession are weighing on the trade while the export profile remains relatively strong. Of note, China took record amounts of pork for the month of March in lagged data released May 5, but the news was not enough to provide rationale for a rally contextualized against recent Covid-19-related events.

## Canadian delivered soymeal prices opened higher this morning.

US soybean futures are trading higher to finish the week and if the present tack is maintained, the nearby contract could close at the highest level today since April 14 (low-to-mid \$8.50s). There are some analysts expecting some support but with a lot of qualifications the main ones being 'if' weather becomes an issue and 'if' China starts buying large US quantities. To date, China buying has come in well under previous hopes (Phase One being the rationale for expectations on purchases) and the weather remains an ongoing, unknown variable as always.

## US corn futures opened higher this morning.

Like beans, US corn futures are seeing some support for the last session of the week. The trade has come off the lows put in eight sessions ago when technical metrics provided rationale for the initial turn around. However, despite some recent corn purchases from China, US corn demand remains weak in all channels and the likelihood of a significant rally in the current marketing environment appears remote. Next week, the USDA will release the May WASDE report which will be closely watched for clues on direction.

US Slaughter	
320,000	Thursday
473,000	Year Ago
Daily Prices	
WCB	\$37.66
ISM Formula	\$73.27
National	\$72.14
National Adj.	\$79.64
Signature 4	\$179.46
BP4/TCP4	\$179.46
OlyWest 2020	\$189.27
HyLife (prev. day)	\$179.33
HyLife Adjusted	\$212.04
BoC Rate (Noon) prev. day	
\$1.4015 CAD / \$0.7140 USD	
Cash Prices Week Ending	
May 9, 2020	
Signature 4	168.72/76.53
h@ms Cash	166.72/75.62
HyLife	N/A
HyLife Adj.	N/A
BP4/TCP4	142.14/64.47
OlyWest	154.80/70.22
2020 Top-Up (YTD Rolling Est.)	
\$14.07 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		150.39 158.31	153.32 154.81	142.07 153.25	138.11 140.09	136.61 137.60	133.19 135.17	132.20 135.67	128.74 140.38
Soymeal Delivered Wpg/S.Man	496	501	501	502	504				

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