

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 12, 2020

For details call: (204)235-2237 or visit
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US Slaughter

357,000 Monday
458,000 Year Ago

Daily Prices

WCB \$32.66
ISM Formula \$68.71
National \$70.16
National Adj. \$77.66

Signature 4 \$174.51
BP4/TCP4 \$174.51
OlyWest 2020 \$175.10
HyLife (prev. day) \$172.07
HyLife Adjusted \$203.99

BoC Rate (Noon) prev. day
\$1.4012 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 171.41/77.75
HyLife Adj. 203.46/92.29
BP4/TCP4 142.14/64.47
OlyWest 154.80/70.22

2020 Top-Up (YTD Rolling Est.)

\$14.07 CAD/ckg

ISO Weans \$7.04 US Avg.

Feeder Pigs \$22.65 US Avg.

Forward contract prices opened mostly lower this morning. US

cash markets are lower with WCB, National, and the ISM-formula base prices coming in lower by \$1.88, \$1.65, and \$3.36 USD/cwt relative to the previous day, respectively. Despite the pressure today, the National and ISM regions are maintaining a tack higher that started three weeks ago supported by the cut-out which developed strength following the demand disruption that materialized because of Covid-19. Formula-based regions continue to see a premium relative to negotiated cash regions (WCB) by virtue of the formula which includes a 'basket' of hogs incorporating elements of the US cut-out. Data collected from the USDA shows that pork production increased last week compared to the week prior by some 32% and could indicate that the 'bottom' for production may have been reached two weeks ago when it was ~34% lower relative to year ago on capacity utilization that could have been over 40% lower. Unfortunately, and as market watchers are all too aware, the week over week 'increase' still places weekly production down by ~23% relative to 2019 and not for lack of animals. Decreases in production capacity are wholly a result of complete or partial plant shutdowns which has subsequently backed-up animals on the farms and pressured pricing for producers, not to mentions alternative marketing arrangements and evidence of culling. The good news is that previously closed US plants are coming back on line and provided that packers can keep virus outbreaks out of plants (and a workforce that can be kept safe with new safety protocols), the worst of it may have been realized. However, there are a lot of caveats to this notion as Covid-19 has not yet been completely contained and the concern over secondary outbreaks as local economies (re)open are a very real possibility. Lean hog futures appear to be pricing in those concerns, have been trading in a two-sided and choppy pattern so far this week, and are lower as of this writing. The crisis is still not over, and the futures market is wholly aware of it. There are anecdotal reports surfacing that almost all plants could be reopened at a reduced capacity in the coming days and weeks, but Steve Meyer, a prominent economist for Kerns and Associates has estimated that between 32%-33% of plant utilization was still idle last Friday according to an online article appearing on The Pig Site today, May 12.

Canadian delivered soymeal prices opened lower this morning. US

soybean futures are lower on ideas that tensions between the USA and China could once again be heating up and planting progress that is showing a good pace. According to the Crop Progress report released yesterday, US beans are 38% planted which was slightly below expectations but 30% higher than last year. According to the USDA, the five-year average bean planting pace is pegged at 23%.

US corn futures opened lower this morning. US

corn futures are once again trading under pressure but with little fundamental reason to make a move higher in the current marketing environment, a corn trade lingering amid the lows is unsurprising. Yesterday's weekly Crop Progress report showed US corn at 67% complete. Like beans, this rate was also lower than expectations but markedly higher than the 28% seen last year and considered 'good' compared to the 56% five-year average pace normally seen at this time of year.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig 4		151.41 153.90	150.11 151.60	139.37 149.86	135.39 137.38	133.88 134.88	130.45 132.44	129.46 132.94	125.98 137.32
Soymeal Delivered Wpg/S.Man	499	503	503	504	506				

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