

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 13, 2020

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Forward contract prices opened mostly mixed this morning. US

cash markets are higher mid-week with all reporting regions showing strength relative to the previous day; lean hog futures are lower as of this writing, but we will not remark more on markets today. Recent changes to h@ms Marketing's price reporting have taken place and a word on those changes is warranted (values to the left of this column). The 'WCB' represents the value of negotiated (cash) hogs in the Western Corn Belt region in USD. It was the base price for Signature 3 (no longer available), but it will continue to be reported on as a gauge for base cash pricing in the US. For example, Covid-19 related developments have exacerbated the spread between 'cash' and 'formula' markets which should be monitored in an ongoing capacity. Today, that spread is over \$35.00 USD/cwt which is highly, highly unusual. The 'ISM Formula' is a US formula-based price used in the construction for pricing hogs delivering on the OlyWest program. We used to report on the ISM negotiated region (another 'cash' region) but from now on, any reference made to 'ISM' or 'ISM Formula' will reflect formula-based pricing. 'National' remains a US formula-based price as it always has been and used as the base price for hogs on the Signature 4, BP4, and 'old' HyLife pricing programs. 'National Adjusted' is the US base price for a new HyLife program (HyLife Adjusted here) that incorporates elements of a USDA cutout report for its price discovery. It is similar to the base price used in Quebec, but there are important differences between the two and they are *not* identical. All of the above mentioned daily 'base prices' are expressed in USD. Their Canadian-converted, equivalent counterparts are published below the USD ones. As always, daily pricing is averaged to determine weekly settlement price in CAD/ckg that gets reported at the end of the week. HyLife values are not published until the following Monday due to data capture that uses a Monday to Friday reference period; HyLife prices are therefore not known at publishing time on Friday. Special note: not all processors use the same reference period. This way of publishing prices will remain in place moving forward until any new development that may influence a new price reporting regime. Lean hog futures values are always expressed in USD/cwt when discussed in this column, but the forward contract values are converted to Canadian dollar equivalents reflecting their appropriate conversion factors when discussed and as published below. Not much on markets has been discussed today, but it was important to address these new developments; changes to our reporting first materialized this week. As always, if producers have any questions, please do not hesitate to call the office or your marketing representative.

Canadian delivered soymeal prices opened higher this morning.

While there were not many surprises in yesterday's WASDE report, old crop ending stocks were adjusted higher on some demand concerns where the USDA showed 580 million bu. in ending stocks compared to the 480 million bu. estimate in April. The May report is also the first time the USDA publishes new crop numbers on the WASDE which came in at 405 million bu in ending stocks against a 430 million bu. average estimate and a range of 299 to 635 million bu.

US corn futures opened lower this morning. US corn futures are still under

pressure but the pressure stems from the market having currently priced in weak fundamentals as the WASDE report itself was considered neutral relative to expectations. For old crop, ending stocks were pegged at 2.098 billion but against the average 2.224 pre-report estimate and 2.092 billion bu. last month. New crop came in at 3.318 billion bu against an average pre-report estimate of 3.389 billion bu. but the number is a *massive* one that pushes the stocks to use ratio over 22% (!).

US Slaughter	
361,000	Tuesday
455,000	Year Ago
Daily Prices	
WCB	\$36.49
ISM Formula	\$75.34
National	\$72.21
National Adj.	\$79.71
Signature 4	\$179.63
BP4/TCP4	\$179.63
OlyWest 2020	\$193.08
HyLife (prev. day)	\$178.07
HyLife Adjusted	\$210.53
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	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 Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig 4		147.76 150.25	149.40 150.89	140.42 149.77	136.43 138.43	134.77 135.76	131.41 133.40	130.41 133.90	126.93 137.86
Soymeal Delivered Wpg/S.Man	500	505	505	506	508				

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