# Hog Margin Outlook

*Meeting Your Marketing Needs*

**Friday, May 15, 2020**

h@ms MARKETING SERVICES

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

| US Slaughter | |
|---|---|
| 372,000 | Thursday |
| 462,000 | Year Ago |
| **Daily Prices** | |
| WCB | $36.41 |
| ISM Formula | $73.00 |
| National | $72.93 |
| National Adj. | $80.43 |
| Signature 4 | $182.40 |
| BP4/TCP4 | $182.40 |
| OlyWest 2020 | $187.89 |
| HyLife (prev. day) | $180.64 |
| HyLife Adjusted | $213.37 |
| **BoC Rate (Noon)** prev. day | $1.4090 CAD / $0.7100 USD |
| **Cash Prices Week Ending May 16, 2020** | |
| Signature 4 | 179.73/81.52 |
| h@ms Cash | 177.73/80.62 |
| HyLife | 178.25/80.85 |
| HyLife Adj. | 210.72/95.58 |
| BP4/TCP4 | 168.72/76.53 |
| OlyWest | 179.00/81.19 |
| **2020 Top-Up** (YTD Rolling Est.) | $15.49 CAD/ckg |
| ISO Weans $7.04 US Avg. | |
| Feeder Pigs $22.65 US Avg. | |

***Forward contract prices opened mostly mixed this morning.*** *US cash reference markets are mixed to finish the week with negotiated base (WCB) down $0.08, the ISM formula base up $0.26, and National and National Adjusted both down by $1.07 USD/cwt. Negotiated base prices continue to see pressure as buyers do not have to aggressively bid due to the abundance of live animal especially due to the ongoing back up of hogs created by the Covid-19 packing plant bottlenecks. Formula regions remain volatile and sensitive to changes, in part, coming from the cut-out and other formula components in the equations. For example, while the net value of the carcass remains comparatively high and coming in at values last seen in 2014, the belly component of the carcass has seen significant volatility. Bellies were as high as $219.34 USD/cwt earlier this week following a weekly low of $34.54 (!) five weeks ago , but a significant one-day drop of over $60 and subsequent pressure now sees bellies at $134.41 in the Thursday report, or, $84.93 off the high. Formula prices have therefore seen some pressure recently but are still faring much better than in the negotiated 'cash' regions by $35.40 USD/cwt today. If carcass values start to back off *IF* production starts to normalize, and regional shortages subside, some softness in formula pricing should be expected. Yesterday's export sales report saw some relatively disappointing developments in net sales and physical delivery areas. New net sales dropped ~77% to 10,800 MT which while in line with the averages, was still 19% lower than the pace normally seen in this marketing week. China's net commitments came in much lower than recently (at 6,100 MT) because of a *cancellation* of 18,500 MT; China remains as unpredictable as ever. Physical deliveries were also down and came in ~45% lower than previous week at 21,800 MT. The move placed the weekly volume on pace with typical seasonality (0.6% higher) and market a sharp contrast to volumes that saw exports 80% higher than the five year benchmark over the last six weeks and 103% higher since the beginning of the year. To the extent that the drop in volumes and commitments is a function of increasing China/USA trade tensions (again) remains to be seen. The official word from China is that they still intend to 'make good' on Phase One commitments and they did take 58% of this week's pork deliveries. Regardless, the data highlights that there are no guarantees in the marketplace and pressure on lean hog futures will likely remain until more certainty returns to the market. Lean hog futures are mixed to finish the week in a choppy and two-sided pattern.*

***Canadian delivered soymeal prices opened lower this morning.*** *Yesterday's export sales report showed a slight improvement over week ago with physical deliveries coming in at 473,800 MT or 8% higher. The volume represents a 20% improvement over the five-year average for the marketing week ending May 7 but is relatively unremarkable and still within typical seasonality. New net sales were essentially equal relative to the previous week coming in at 655,400 MT. The number is higher than five-year averages but the massive buying from China, which was expected due to Phase One commitments, has not yet materialized.*

***US corn futures opened mixed this morning.*** *New net sales of US corn were 39% higher than the previous reporting period in the weekly export sales report released yesterday morning and 18% higher than the five-year average for the same marketing week. Commitments to US corn from export buyers remains within established trends. Physical sales were 6% lower than previous week, only nominally higher than benchmarks (3%), and likewise withing established trends.*

| Forward Range (at opening) | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|
| Maple Leaf Sig 4 | | 152.25<br>155.75 | 149.21<br>151.96 | 143.22<br>149.96 | 135.98<br>141.23 | 135.29<br>139.22 | 134.71<br>139.22 | 133.21<br>137.22 | 131.21<br>143.37 | 145.86<br>149.36 |
| Soymeal Delivered Wpg/S.Man | 497 | 502 | 502 | 503 | 505 | | | | | |



**h@ms Marketing Services will be closed**

Monday, May 18 for Victoria Day in Canada. Forward contracting will be closed and the HMO and Opening Price reports will not be published.
Normal business resumes on Tuesday, May 19.