Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 19, 2020

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

US Slaughter	
397,000	Monday
463,000	Year Ago
Daily Prices	
WCB	$36.62
ISM Formula	$70.88
National	$71.14
National Adj.	$78.64
Signature 4	$177.96
BP4/TCP4	$177.96
OlyWest 2020	$182.70
HyLife (prev. day)	$176.46
HyLife Adjusted	$208.92

BoC Rate (Noon) *prev. day*
$1.4094 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 $7.20 US Avg.

Feeder Pigs $19.03 US Avg.

Forward contract prices opened mostly lower this morning. *US cash reference markets are mixed with the negotiated WCB base up slightly from the previous Friday (due to the long weekend in Canada) while the formula-based regions are lower; the ISM came down $2.12 USD/cwt relative to the Friday numbers and both National and National Adjusted references were down by $1.79. The spread between negotiated and formula bases is stark. Using WCB and National as a proxy for negotiated and formula regions, respectively, today's spread is $34.79 USD/cwt. Converted to Canadian dollars and yield equivalents, the difference between program values would amount to $88.36 CAD/ckg(!). The massive differences can be in part attributed to the wild swings in pricing due to Covid-19 supply and demand disruptions since the end of April, but there are also criticisms on the pricing mechanisms themselves which are now being highlighted amid the ongoing pandemic. Recent articles highlighting these issues have more frequently started to appear in reputable industry publications including one surfacing on Monday in National Hog Farmer by American ag-economist Joseph Kerns discussing the discrepancies between regions and of the futures settlement references at expiration. Not all chatter or commentary leads to change, but it is not unreasonable to suggest that pricing mechanisms in the US will be looked at more closely when the brunt of the virus outbreak is over. Lean hog futures traded in a lower pattern yesterday (markets were open as the long weekend only applied in Canada this year – next Monday, the USA will observe Memorial Day) and this morning they started off on an higher note, but do appear to be consolidating at current levels, generally. The trade is called steady to lower in the short term as lean hog futures have little reason to mount a rally. Yes, plants are reopening, and most recent data shows all previously shuttered plants are operating at some level of capacity. However, capacity *is not 100%* and it will likely take some time for plant utilization to return to full. As such, shackle space could be an ongoing issue in the coming weeks and months, potentially leading to price pressure further out and an unfortunate need for more culls and euthanasia. Producers reading headlines that plants are up and running should not consider it business as usual. It will take time to ramp up to even reduced levels and there will likely be a lot of animals that continue to back up amid the bottlenecks. Fair value forward contract levels (should they materialize) and rallies, to the extent they develop, could be thought of as hedging opportunities in the current marketing environment especially in the fourth quarter.*

Canadian delivered soymeal prices opened lower this morning. *While Victoria Day was a holiday on Monday for many Canadians, the USA will not have their May long weekend until next week. As such, it was business as usual at the USDA who reported planting progress for beans at 53% for week ending May 17. This compares with the five-year average of 38% and only 16% last year when uncooperative weather slowed planting pace to all time lows.*

US corn futures opened higher this morning. *US corn planting pace is clipping along at a brisk pace with 80% planted for week ending May 17. The pace represents the highest since 2015 and compared to a 71% five-year average. Like beans, US corn was well off normal coming in at 44% at the same time last year. There are anecdotal reports that some farmers in certain areas have more corn acres to be harvested from last year than acres planted for the new crop due to inclement weather throughout 2019 that slowed everything down.*

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4		151.52 152.01	146.99 149.70	142.62 148.59	135.48 140.65	134.49 138.98	134.54 138.98	133.06 137.01	131.09 145.52	147.99 151.46
Soymeal Delivered Wpg/S.Man	484	488	488	491	494					

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.