

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 20, 2020

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

## US Slaughter

397,000	Tuesday
466,000	Year Ago

## Daily Prices

WCB	\$39.65
ISM Formula	\$70.11
National	\$71.62
National Adj.	\$79.12
Signature 4	\$176.62
BP4/TCP4	\$176.62
OlyWest 2020	\$180.72
HyLife (prev. day)	\$177.67
HyLife Adjusted	\$210.21

**BoC Rate (Noon) prev. day**  
\$1.3893 CAD / \$0.7200 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 WCB up \$3.03, ISM Formula down \$0.77, and both National bases up by \$0.48 USD/cwt. While reference markets are still making inconsistent moves day over day, the 'tone' is less intense as seen only a couple weeks ago and there is a sense that they are leveling out as new marketing dynamics are unfolding amid the virus outbreak. Formula prices are still supported by the basket of hogs priced off the cutout, and the net value of the carcass remains historically high. Last week, the weekly average value improved to \$115.12 USD/cwt marking the second time in as many weeks carcass values were over \$100 and the only the second time since the summer of 2017. But there are ideas that values may have hit their peak and evidence that some softness in various primals is developing once again. For example, while butts and ribs are maintaining their tack higher, loins and picnics are mixed (higher last week but lower today) while bellies have abruptly turned around, resulting in the daily value once again at its lowest level for this marketing week. It is not at the lows seen in April, but the move stands in sharp contrast to record-high values seen only two weeks ago. Hams continue to struggle with marketing week lows and are trading in the mid \$30-range so far this week. The issues with hams are many but principle reasons for the decreased value are a lack of labor to conduct boning and weakness in the Mexican market for bone-in hams. Hams, bellies and loins make up approximately two-thirds of the value of the carcass and the weakness in hams and bellies is weighing on the overall value. If the carcass highs were put in place last week, some weakness in the formula-based pricing could be a result in the short term. Lean hog futures continue to trade in a sideways pattern as the market waits for news on direction. A backing off of export volume last week was an unwelcomed development that pressured optimism on demand further out. Tomorrow's export sales report will be closely watched to see if the decrease in physical sales and new commitments observed for week ending May 7 was an anomaly or the start of a new trend. While slaughter levels improved week over week, there are concerns there will still be too many live animals when plants are up and running at what is currently believed to be a 'maximum' of 90% prior capacity.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are higher this morning but still trading in the middle of the range that was established in the middle of April, and at contract lows. Good planting progress and descent weather in most regions is pressuring as is evidence of a rather 'typical' US export pace against expectations that Phase One would usher in a more rapid export demand from China. Covid-19 assistance payments were announced for half of 2019 production or supplies 'on hand' as at January 15 in the amount of 45 cents per bushel for beans.

**US corn futures opened lower this morning.** US corn futures have backed off from modest strength seen over the past four sessions, but like beans, the trade is residing amid contract lows. The Covid-19 assistance payment level for corn farmers was announced as 32 cents per bushel yesterday. Also like beans, relatively poor demand from all channels, but especially in the ethanol sector, and good crop progress numbers are weighing on the trade. A much stronger demand profile will be needed to lift corn off the lows.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4		145.26 145.75	140.11 142.82	135.75 141.66	130.14 135.31	129.78 134.68	130.23 134.68	128.75 132.70	126.77 140.46	142.93 146.39
Soymeal Delivered Wpg/S.Man	486	490	490	493	495					

This bulletin is intended as a marketing tool for subscribed members only. Prices are *not* quotes and *all pricing is subject to verification*. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

**h@ms Marketing Services Forward Contracting will be closed Monday, May 25 for Memorial Day in the USA.** Forward contracting will be closed and the HMO and Opening Price reports will not be published. The main office will remain open per usual on Monday May 25.

Normal business resumes on Tuesday, May 26.