

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 26, 2020

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

US Slaughter

N/A	Monday
N/A	Year Ago

Daily Prices

WCB	\$39.60
ISM Formula	\$64.37
National	\$67.75
National Adj.	\$75.25
Signature 4	\$168.16
BP4/TCP4	\$168.16
OlyWest 2020	\$164.99
HyLife (prev. day)	\$167.11
HyLife Adjusted	\$198.79

BoC Rate (Noon) prev. day
\$1.3984 CAD / \$0.7151 USD

Cash Prices Week Ending

May 23, 2020

Signature 4	175.39/79.56
h@ms Cash	173.39/78.65
HyLife	171.65/77.86
HyLife Adj.	203.61/92.36
BP4/TCP4	179.73/81.52
OlyWest	186.00/84.37

2020 Top-Up (YTD Rolling Est.)

\$16.57 CAD/ckg

ISO Weans \$7.04 US Avg.

Feeder Pigs \$18.80 US Avg.

Forward contract prices opened mostly lower this morning. US cash reference markets are lower to start the holiday-shortened week (USA); WCB is \$1.51 lower, ISM formula is lower by a dime, and both National reference prices are down by \$1.29 USD/cwt. Negotiated regions such as the WCB continue to see pressure and are presently 47% lower than the five-year average pace for the current marketing week so far. While hog plants are starting to ramp production back up in the USA, and that the ramp up phase so-far appears to be beating earlier projections, plant utilization is still not at 100%. Additionally, as hogs become/became backed up, higher weights are being realized for the hogs that do make it to the packers. In a normal marketing year, weights are observed to come down in both live and dressed categories near the beginning of May, and really start to shed delivery weight starting in June. This year, weights turned higher in May and are currently trending in a sideways pattern, but not at all coming down the way they normally do despite some recent anomalies. The ongoing back-up of live supplies will likely keep the pressure on negotiated prices in the short to mid-terms. Formula pricing is starting to weaken. The National regions are both seeing some softness especially as the components that make up the reference prices in the formula back off from recent highs. The weekly carcass cut-out value, for example, is down by \$15.18 USD for week ending May 23 or 13% lower compared to week ago. While ribs and butts are modestly higher (and still at all-time highs for this marketing week), loins have softened somewhat and the ever so volatile belly primal is 48% lower than week ago coming in at \$82.01 USD/cwt and representing a \$74.90 week over week drop (!). Bellies are once again at their lowest value for the respective marketing week since 2013 and the volatility in the primal is notable. Hams have shown a modest recovery but are still residing amid all time lows due to labour challenges (for boned hams) and export softness from Mexico (bone-in hams). The net result of 'increased' production and a weakening cut-out is a formula price that sees a counter seasonal move lower when the beginning of a summer rally typically materializes. Lean hog futures are consolidating at currently levels and although they are biasing higher this morning, the markets are only pricing in optimism in the 2021 contracts. The remaining 2020 contracts are 23% lower than the five -year average cash settlement price (used as a benchmark to gauge value) while the 2021 contracts out to May are 'only' 8% lower this morning.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures are trading in the middle of the recently established range but are higher to start the week. There are concerns that China/USA trade hostilities may ramp up again but so far, China has been buying some US product and the official word is that they intend to make good on Phase One commitments vis-a-vis market conditions. Crop Progress report is delayed until today (normally published Mondays) due to the observance of Memorial Day in the USA yesterday. Pre-report estimates are looking for beans to come in near the 70% completed mark.

US corn futures opened higher this morning.

While there are some areas of the USA that are still seeing excessive moisture and wet fields in the northern areas (especially the Dakotas), crop progress, when released later today is expected to come in near 90% complete according to pre-report estimates ahead of the release. US corn is trading at the upper end of the range that was established in early May, but still residing amid the lows and trading in the low \$3.20s USD/bu.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4			145.01 147.71	137.65 144.03	130.53 135.68	129.66 133.54	129.12 133.54	127.64 131.57	125.68 139.82	142.27 145.70
Soymeal Delivered Wpg/S.Man	484	488	488	491	494					

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