Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 27, 2020

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

US Slaughter	
405,000	Tuesday
477,000	Year Ago
Daily Prices	
WCB	$37.64
ISM Formula	$63.54
National	$66.23
National Adj.	$73.73
Signature 4	$162.27
BP4/TCP4	$162.27
OlyWest 2020	$162.49
HyLife (prev. day)	$163.00
HyLife Adjusted	$194.34
BoC Rate (Noon) prev. day	$1.3804 CAD / $0.7244 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 higher this morning. *US cash reference prices are lower mid-week with WCB down $1.96, ISM Formula $0.83 lower, and both National bases down by $1.52 USD/cwt. Regular readers of this column will note that the two National references have been recently moving in tandem begging the question 'why?' especially when the National Adjusted uses a stronger cut-out component in the new formula. The reason is because the National Adjusted formula is 'capped' if the spread between the cut-out and the 'old' National base price exceeds $7.50 USD/cwt (about $20 CAD/ckg). Due to the rapid increase in the cut-out value, the 'cap' has been triggered in recent days and weeks (and already was during the launch), but it likely won't always be. While there is a clear spread between the two reference points today, historical pricing analysis shows this is not the typical pricing relationship. To be clear, there is typically a positive difference between cut-out formulas and the traditional National base, but not always to this degree, which is excessive. When the spread comes under the 'cap' once again, the two regions' base prices will move more independently of one another. On that note, US cut-out pricing shows some softness developing as production ramps up pressuring all the formula regions. The reason for this is that the earlier hoarding has subsided somewhat, plants are ramping up production, and meat buyers don't have to bid as aggressively (on balance) as they previously did. Of course, the supply and demand chains are still very much disrupted so market watchers should expect to see some regional meat 'shortages' in the near term at the retail level and some choppiness in values. But all actors are starting to adapt to the new marketing reality and the cut-out is starting to come down. Today, all primals are valued lower than previous marketing week marking the first time all cuts are moving lower at the same time since the beginning of April. Lean hog futures continue to see follow through interest this morning. Yesterday, the July contract briefly touched limit up levels during the session but settled slightly lower than the daily limit at day end. The reopening of plants in the US is providing some of the support as the pace is generally seen as being more rapid than earlier projections a few weeks ago and 'normalizing'. However, there are still a lot of animals being backed up on US farms and an abundance of live supplies still reflects reality. While the market is seeing some optimism in recent days, the trade is still residing amid the recent lows with 2020 contracts still more than 20% below what would be considered good or fair value in a* *****normal***** *marketing year.*

Canadian delivered soymeal prices opened lower this morning. *US soybean planting pace came in slightly lower than pre-report estimates at 65% completed. The pace showed a 12% increase over week ago and was 10% higher than the five-year average pace. Last year's pace for the same planting week is also included in the report, but it is not a very good benchmark. The reason is because inclement and uncooperative weather last year reduced planting progress substantially; the pace last year was only 26%.*

US corn futures opened higher this morning. *The US corn planting pace came in 2% lower than market pre-report expectations at 88%. Like beans, the US corn planting pace is considered quite good despite some regional challenges in the northern states that are still facing challenges with excessive moisture and wet fields. In aggregate, this week's pace represented an 8% improvement over last week and is 6% better than the five-year average. For interest, last year's pace came in at only 55% due to extremely poor conditions.*

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4			149.71 152.40	141.75 148.60	134.65 139.79	133.23 136.23	131.84 136.23	130.37 134.28	128.42 142.21	144.66 148.09
Soymeal Delivered Wpg/S.Man	479	484	484	487	490					