Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 29, 2020

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

US Slaughter	
422,000	Thursday
469,000	Year Ago
Daily Prices	
WCB	$37.98
ISM Formula	$62.02
National	$67.04
National Adj.	$74.54
Signature 4	$163.80
BP4/TCP4	$163.80
OlyWest 2020	$156.30
HyLife (prev. day)	$162.60
HyLife Adjusted	$193.63

BoC Rate (Noon) *prev. day*
$1.3764 CAD / $0.7270 USD

Cash Prices Week Ending May 30, 2020	
Signature 4	164.68/74.70
h@ms Cash	162.68/73.79
HyLife	N/A
HyLife Adj.	N/A
BP4/TCP4	175.39/79.56
OlyWest	168.20/76.30

2020 Top-Up (YTD Rolling Est.)
$17.30 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 mixed to finish the week. The WCB and ISM Formula prices are $1.32 and $2.83 lower, respectively, while both National references are $0.48 USD/cwt higher relative to the previous day. Prices for week ending May 30 are $3.92 USD/cwt lower in the National-based regions on weakening components in the formula. The net carcass value, for example, has come off the recent highs and has seen weakness over the past two weeks. If this tack continues, a counter-seasonal trend that sees lower values in the short term could materialize. As US packing plants resume production and the previous panic buying or hoarding subsides, meat buyers won't have to bid as aggressively to secure supplies, subsequently pressuring carcass values. Negotiated regions are also called to be under pressure in the near term and are currently valued 47% below the five-year average marking a $27.70 USD/cwt spread between the negotiated and formula benchmarks, the fourth largest on record. The issue of live hogs backing up on farms has not yet been resolved. While there are expectations of a 90% plant utilization rate after the ramp-up phase, the 90% level has not yet been reached. Moreover, another Tyson plant has just announced it will shut operations for a couple days next week after employees tested positive for Covid-19. There will likely be some 'hiccups' as plants resume operations and the market should not rule out the possibility of new (and/or secondary) outbreaks among the processors. The net result in all scenarios is more hogs being further backed up or prevented from being delivered which will keep pressure on live hog prices until the situation is resolved. Lean hog futures are lower to finish the week following pressure that developed yesterday which saw the previous weekly gains erased in one session. The delayed weekly Export Sales report published this morning has done little to provide any support and showed physical deliveries down 31% relative to the previous week. The pace is still 60% higher than the five-year average and China still took about 30% of the volume, but the numbers will be closely watched in subsequent reports to see if a trend lower develops, or if it is just an anomaly. New commitments were higher week-over-week, but last week, cancellations netted out in a negative net number. This week, while back in positive territory, new commitments came in 17% lower than the five-year average. While exports typically provide some clues on price direction, the backing up of market ready hogs on farms (or a clear resolution to the issue) will likely take precedent on future price direction over anything else.*

Canadian delivered soymeal prices opened higher this morning. *This morning's Export Sales report showed net sales of 644,300 MT of which China committed to 30%. The numbers are slightly disappointing and reveal a 46% drop in commitments relative to the previous week. On the other hand, the commitment is 132% higher than the five-year average, but this is a typically low marketing week. China has not yet entered the US market in force regarding 2020 although 2021 did see 200,000 MT. Physical deliveries were a marketing year low 331,800 MT. US bean futures are lower to finish the week.*

US corn futures opened lower this morning. *New net export commitments were down 52% relative to the previous marketing week and 48% lower than the five-year average pace. The trend remains lower in terms of new commitments, but this is typical for this time of year. Physical deliveries were down 16% relative to week-ago and 20% lower than the five-year average. Again, the numbers reflect seasonality but they are relatively lower than usual and US corn will need a boost from all demand profiles in order to lift the futures off the current lows.*

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4			137.58 140.27	134.33 140.20	128.30 133.43	127.20 132.13	127.74 132.13	126.27 130.18	124.32 137.25	139.69 143.11
Soymeal Delivered Wpg/S.Man	479	484	484	486	48	490				

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