

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 2, 2020

For details call: (204)235-2237 or visit
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US Slaughter

403,000 Monday
 465,000 Year Ago

Daily Prices

WCB	N/A
ISM Formula	\$62.12
National	\$63.99
National Adj.	\$71.49
Signature 4	\$154.82
BP4/TCP4	\$154.82
OlyWest 2020	\$156.37
HyLife (prev. day)	\$155.02
HyLife Adjusted	\$185.49

BoC Rate (Noon) prev. day
 \$1.3787 CAD / \$0.7253 USD

Cash Prices Week Ending

May 30, 2020

Signature 4	164.68/74.70
h@ms Cash	162.68/73.79
HyLife	162.06/73.51
HyLife Adj.	193.18/87.63
BP4/TCP4	175.39/79.56
OlyWest	168.20/76.30

2020 Top-Up (YTD Rolling Est.)

\$17.30 CAD/ckg

ISO Weans \$7.05 US Avg.

Feeder Pigs \$17.47 US Avg.

Forward contract prices opened mostly higher this morning.

US cash reference prices are providing a mixed bag of information with WCB not reporting due to confidentiality, ISM Formula unchanged on the day, and both National references down by \$0.36 USD/cwt. Regardless, there is no indication that cash pricing will be poised for a move higher in the short term and, in fact, pressure remains on the cash markets generally. Even though there is evidence that slaughter capacity is ramping up ahead of previous recovery estimates, a significant number of animals still remains backed up on farms and/or unable to be delivered; the availability of live supplies still overshoots current capacity limits. Generally, this is the one factor that is providing the most pressure on the negotiated prices which will likely remain in place until the backlog is cleared and packers once again need to bid more aggressively. In terms of the formula regions, weakness in the value of the cut-out is pressuring as pipelines on the meat side of the trade return more normal. Yesterday, all primal cuts except bellies saw weaker values compared to the previous day coming in lower than the average values compared to week ago. The daily net result was a \$7.16 USD/cwt change lower for the entire carcass led by loins which saw a one day drop of \$25.41 (!). Volatility remains a feature of the meat side of the trade which saw marketing week lows reached in mid-April, followed by marketing week highs in May, only to once again flirt with recent lows so far this week. The nearby lean hog futures contracts once again gapped lower at the open but are recovering from the session lows as of this writing. Like the cash market, the futures markets have very little rationale to break out of low trend which will likely trade under pressure until more positive news develops. For now, the trade is a bit concerned with news suggesting China may cancel previous US pork commitments in response to the US positioning of issues related to China's handling of Hong Kong. For now, the market will simply have to wait for the numbers as 'new' cancellations will not show up in the data until at least the export sales report published on June 11. Regardless, this week's export sales report published on June 4 (representing activity for week ending May 28) will be closely watched for clues on direction which has shown some softening demand from China in recent reports. A combination of potential and very likely slaughter capacity constraints further out and a softening demand profile from export markets, but especially China, are the main factors weighing on the futures trade presently.

Canadian delivered soymeal prices opened lower this morning.

US soybeans are counterintuitively trading higher this morning despite news developing over the weekend that Chinese officials have ordered the two state-owned buyers to avoid US product. However, news surfaced yesterday that China is indeed still in the US market and sourced 180,000 MT of beans from state-owned enterprises. Yesterday's Crop Progress report showed beans at 75% complete compared to 79% expected and a 68% five-year average.

US corn futures opened higher this morning.

US corn is once again showing some support in the futures contracts after seeing some positive export numbers develop. Crop progress could be considered negative, however, as the plant pace remains rapid relative to other years. US corn planting is estimated at 93% complete compared to 80% last week and an 89% five-year average. Present conditions came in at 74% good to excellent. Next week, the corn crop will likely be considered 'in the ground' at which point the market will turn to the weather and updates on conditions regarding crop issues.

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4		137.22 139.85	134.41 141.24	127.46 132.50	126.47 131.07	126.76 131.07	125.32 129.16	123.41 136.69	139.10 142.48
Soymeal Delivered Wpg/S.Man	475	475	477	480					

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Some Important Phone Numbers
 Main Office: 204-233-4991
 Toll Free: 1-800-899-7675
 Logistics: 204-235-2225
 Risk Management: 204-235-2237

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