

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 4, 2020

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

Forward contract prices opened mostly higher this morning. US

cash reference prices are lower with WCB down \$2.45 while both National benchmarks are \$1.54 USD/cwt lower relative to the previous day; ISM Formula saw no changes when reported late yesterday. The pressure on the cash markets is truly remarkable. Typically at this time of year, cash prices see some support mainly due to an increase in domestic demand (grilling season, for example) and a reduction in weights of live animals that subsequently lowers the amount of pork being produced over this timeframe. Statistically, the summer rally culminates in marketing week number 25 (i.e. two weeks from now) when observing the five-year average. This year, the National formula base is making a counter seasonal move lower and is 22% lower than the five-year average. The WCB, representing a negotiated cash market, is likewise counter seasonally lower and faring even worse, coming in 55% lower than the five-year average (!) and posting some of the worst prices in the region on record. Supply *and* demand disruption due to Covid-19 outbreaks and subsequent reorganizations in plants and distribution networks is wholly responsible for the weakness and the market will simply have to wait for the pipelines to be returned to normal. In the meantime, another metric typically watched closely is also coming in with some bearish news. While demand for meat in the export market matters somewhat less today as a price mover for live hogs (due to the exceptional back-up of hogs on farms), export demand is still closely watched for clues on direction further out. This morning's weekly Export Sales report showed net sales at 17,335 MT which is 16% lower than last week and 20% lower than the five-year average. Earlier this year, net sales were running 40% higher than the five year average but new commitments have backed off in recent weeks and there is talk today that the diplomatic tension between the USA and China could limit commitments in the coming weeks. Physical sales were also lower that week ago (by 9%) but the pace is still about 50% higher than the five-year averages with China taking about 42% of the weekly total. While this pace would normally be considered a relatively good, it should also be noted that it is in fact lower than the previous pace which was almost double (or about 97% higher) than the averages since the beginning of the year. But like new net sales numbers, physical deliveries have also dropped recently, and next week's report will be closely watched to see if China does indeed shun US pork as reported they may do earlier this week. Lean hog futures opened lower for the fourth consecutive day this week.

Canadian delivered soymeal prices opened mixed this morning.

New net sales for US soybeans came in at 495,171 MT which was 23% lower than the commitments for the previous reporting period, but 41% higher than the five-year average. Physical deliveries came in 46% higher than average benchmarks and 36% higher than the previous reporting week at 483,033 MT. Both observations are maintaining a seasonal trend for now and the market will be closely watching to see if China continues to buy US product as further commitments have recently been questioned due to recent diplomatic tensions.

US corn futures opened higher this morning. While new net sales of US

corn came in 49% higher than the previous week, the committed volume for week ending May 28 only represents a 0.4% increase over the five-year average essentially making it statistically equal with the seasonal pace normally seen at this time of year. If the seasonal trend continues, new US corn commitments from export partners is expected to drop heading into the summer. Physical sales were 27% higher than week ago and 24% higher than the average benchmarks, but again they are mirroring typical seasonal shipping patterns.

US Slaughter	
429,000	Wednesday
476,000	Year Ago
Daily Prices	
WCB	\$34.64
ISM Formula	\$59.99
National	\$61.36
Nat'l Cutout	\$68.86
Signature 4	\$147.09
BP4/TCP4	\$147.09
OlyWest 2020	\$138.28
HyLife (prev. day)	\$145.96
HyLife Adjusted	\$171.98
BoC Rate (Noon) prev. day	
\$1.3504 CAD / \$0.7410 USD	
Cash Prices Week Ending	
May 30, 2020	
Signature 4	164.68/74.70
h@ms Cash	162.68/73.79
HLF Cutout	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 Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4		131.01 133.65	132.81 138.56	127.89 132.93	127.00 132.16	137.84 132.16	126.40 130.24	124.48 137.37	139.77 143.13
Soymeal Delivered Wpg/S.Man	476	476	479	481					

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.

follow us @hamsmarketing
twitter

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

STRENGTH IN NUMBERS

