

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, June 8, 2020

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

## US Slaughter

2.542 mil.	Last Week
2.410 mil.	Year Ago

## Daily Prices

WCB	\$32.58
ISM Formula	\$51.92
National	\$57.53
Nat'l Cutout	\$65.03
Signature 4	\$137.12
BP4/TCP4	\$137.12
OlyWest 2020	\$128.27
HyLife (prev. day)	\$136.76
HyLife Cutout	\$165.57

**BoC Rate (Noon) prev. day**  
\$1.3529 CAD / \$0.7450 USD

## Cash Prices Week Ending

June 6, 2020

Signature 4	150.51/68.27
h@ms Cash	148.51/67.36
HyLife	146.01/66.23
HLF Cutout	173.12/78.53
BP4/TCP4	164.68/74.70
OlyWest	157.10/71.26

**2020 Top-Up (YTD Rolling Est.)**

\$17.93 CAD/ckg

ISO Weans \$5.11 US Avg.

Feeder Pigs \$14.65 US Avg.

**Forward contract prices opened mostly higher this morning.** US cash reference markets are lower to start the week. The WCB is down by \$0.08, ISM Formula is \$1.86 weaker, and both National markets are lower by \$1.87 USD/cwt relative to the previous day. For the first time since the Covid-19 plant shutdowns in the USA, weekly slaughter came in higher than last year's benchmark. The 2.452 million head estimated by the USDA was 42,000 higher than last year's weekly count or 1.7% higher. The number does not yet reach the previously estimated 90% capacity limit (due to Covid-19 protocols which could include slower line speeds) following a ramp-up phase among previously shuttered plants, but it is only 44,000 lower than the USDA's projection for this week per the most recent Hogs and Pigs report and represents a \*much more rapid\* ramp up than previously estimated only a few weeks ago. A less-weak WCB base price (compared to the formula regions) could be a consequence of the stronger packer demand, but there are some questions surfacing around price activity in the negotiated regions generally and no one can draw conclusions from just one data point. Meanwhile, the formula regions are still under pressure, mainly due to the price softness in the cutout for those regions that use it as a component in the formula. Weekly carcass value for week ending June 6 was at its lowest level for this marketing week going back to 2013 after falling \$15.37 USD/cwt relative to the previous week or 16.9%. All primals except bellies were lower than week ago; loins, butts, picnic, and ribs have seen sharp turnarounds in pricing relative to a few weeks ago as packing plants resume capacity. Hams continue to languish amid historical lows due to labour issues and poor demand, and even though bellies are higher, their value was still at the lowest level for the marketing week. The net result is price pressure for formulas using that variable as a component in price discovery and until the carcass value stabilizes, formula-based prices will move counter seasonally lower. Despite increased slaughter capacity and a more rapid return to production, the US live hog and pork markets are not out of the woods yet. Lean hog futures are starting the week off on a lower note with no real rationale to mount a recovery yet. While improving slaughter capacity is providing some optimism, a looming economic recession, domestic civil unrest in the USA, and ideas that the relationship between USA and China could turn sour once again (US exports were led by China for April in data revealed last week) are all factors weighing on demand \*in addition\* to current Covid-19 supply and demand issues.

## Canadian delivered soymeal prices opened lower this morning.

Despite ideas that China is still buying US beans amid fears of more diplomatic tensions, US soybean futures are lower to start the week. Ongoing purchase activity will likely be seen as supportive, but so far, volumes have not been enough to break the market out of the range that was established in mid-April. Crop progress is expected to come in near 85% complete when the report is released later today. The June WASDE report will be published mid-trade on Thursday.

## US corn futures opened higher this morning.

US corn futures continue to creep higher but if the market moves further upward, technical resistance levels could be met and potentially push the market down again in the absence of any real change in supply and demand fundamentals. Crop progress numbers when released later today are expected to come in at 98% complete, essentially suggesting the big push to get US corn in the ground is done for the year. Thursday's WASDE report will be closely watched for clues on further direction, but there are ideas ending stocks will be plentiful either way.

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		134.65 136.07	137.26 143.21	132.20 136.48	130.60 134.28	130.48 134.28	127.87 131.90	127.87 139.05	142.85 144.75	146.35 152.76	152.76
Soymeal Delivered Wpg/S.Man	466	466	470	473							

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