

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 9, 2020

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

US Slaughter

445,000	Monday
470,000	Year Ago

Daily Prices

WCB	\$29.87
ISM Formula	\$51.85
National	\$56.17
Nat'l Cutout	\$63.67
Signature 4	\$133.43
BP4/TCP4	\$133.43
OlyWest 2020	\$127.35
HyLife (prev. day)	\$132.75
HyLife Cutout	\$161.17

BoC Rate (Noon) prev. day
\$1.3383 CAD / \$0.7472 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 continue to push lower in a counter seasonal move not seen to this degree in recent memory. While 2019 did see some softness develop about the same time of year (which was odd in itself in terms of trend analysis), the scope of the drop was not the same as presently witnessed. ISM Formula is down \$0.07 and both National references are \$1.36 USD/cwt lower relative to the previous session. But the negotiated WCB market has really seen some pressure with the \$2.71 drop from previous day bringing the region under \$30.00 USD/cwt for the first time since likely 1998. Regular in-house data capture does not go back that far, and today's value is the lowest observed on record. To put this into perspective, the average cash price over the last five years for WCB in marketing week 24 is \$79.05 meaning the \$29.87 posted for reference today is 62% lower than what would be considered normal. As we have seen though, 2020 has been anything but normal and cash markets are still attempting to price in available hog supplies with processing capacity that, while improving at a pace more rapidly than first expected, is still not yet 100% and furthermore needs to work through the backlog of hogs on farms that is still a very large issue in the USA. As well, the rapidity of the Covid-19 ramp-up phase has brought swift pressure to the value of the cut out as primal cuts start making their way back out to wholesalers (and subsequently retailers) who do not have to bid as aggressively to secure pork supplies. Four weeks ago, the weekly net value of the carcass was at its highest level (including 2014) which had shot up from all-time lows five weeks prior. By marketing week 23 (i.e. last week) the weekly value had dropped by some 34% placing it at the *lowest* value for its marketing week and revealing a pattern of unprecedented volatility. Today, all primals except bellies are lower relative to the previous day and the pork market has not yet stabilized. Until it does, pressure will continue to be a feature of the formula-based prices. Lean hog futures opened lower this morning but are mixed as of this writing with the 2021 contracts recovering somewhat. The futures market is a tale of 'two markets' with the remaining 2020 contracts trading amid historical lows while the 2021 offering are hovering just below the five-year cash averages. The observation represents some optimism on normalcy returning in the new year, but not at levels that would traditionally be considered great value.

Canadian delivered soymeal prices opened lower this morning. The USDA's Crop Progress report published yesterday afternoon showed soybean planting at 86% complete against 87% expected and a 79% average pace. For the soybeans that have emerged, an estimated 72% were pegged good to excellent which was a slight improvement over the 70% good to excellent condition reported last week. US soybean futures are trading lower this morning.

US corn futures opened lower this morning. The US corn crop is 97% complete according to yesterday's Crop Progress report which was completely in line with pre-report expectations and 3% higher than the five-year average pace. The corn crop is essentially completed, and the market will likely turn to weather and crop conditions for clues on direction. On that note, 75% of US corn is currently estimated to be in good to excellent condition which was also in line with expectations.

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		134.50 135.93	138.86 144.82	134.62 138.91	133.24 137.77	133.95 137.77	131.33 135.39	131.33 141.77	145.59 146.06	148.80 155.24	155.24
Soymeal Delivered Wpg/S.Man	465	465	469	472							

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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

STRENGTH IN NUMBERS

