

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 11, 2020

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

**Forward contract prices opened mostly lower this morning.** US cash reference markets are once again moving counter seasonally with WCB down \$0.65, ISM Formula \$2.24 lower, National down \$1.39, and the National 'cutout-adjusted' reference base price \$2.21 USD/cwt lower relative to the previous day. The value of the cutout appears to be stabilizing with day over day drops in value less intense than as seen earlier, but the move lower is still having an impact on the live hog prices for those contracts using a cutout component in their formulas; the pork cutout has not yet found its bottom. While producers typically see price strength in 'the summer', it should be noted that on average, prices usually peak in marketing week 25. This year, marketing week 25 falls on week ending June 20 (next week) meaning the high summer values that traditionally materialize year over year are not going to be seen in their normal timeslots. So far, the 'high week' for formula prices seen in 2020 was witnessed in marketing week 20 (week ending May 16) when uncoincidentally, the cutout value was also at its peak, but even then values were 5% lower than the five-year benchmark due to pressures from Covid-19 disruptions. Negotiated regions (WCB for example) so far 'peaked' in marketing week 13 but subsequently succumbed to the pressure of plant closures as Covid-19 started to work its way through US packing plants and processors temporarily closed to address the various issues. An ongoing backlog of hogs in the USA, lower plant capacity, and a weakening cutout will all be weighing on the trade in the short to mid-terms and producers 'hoping' for a supply hole to materialize due to ongoing culling and/or other supply reduction initiatives may be overly optimistic. Supply holes will almost certainly not develop this summer and it is questionable if supply constraints will show up by the fourth quarter. Even if they do, prices are typically low in Q4 so the extent to which values can rise are already limited by seasonality. A hog shortage such as the one seen in 2014 due to PEDv that could drive prices higher is highly unlikely in the short term. The weekly Export Sales report released before trading this morning showed new net sales of 17,209 MT which was a 1% drop relative to the previous week and completely in line with the five-year average volumes for this time of year. This is somewhat troubling as it could hint that China is indeed backing off on new commitments for now who only took 2,600 MT for this reporting period. Physical deliveries were likewise reported lower. While China did take 40% of the weekly deliveries, total deliveries are notably lower for the past two weeks coming in near the 31,000 MT mark whereas the pace at the beginning of the year out to late April was ~42,000 MT on average.

**Canadian delivered soymeal prices opened higher this morning.** New net sales of US soybeans came in at 1.0 MMT or 102% higher than week ago. The volume reported is also 143% higher than the five-year average suggesting that earlier rumors of China's ongoing purchase activity did materialize for the last reporting period. Physical deliveries were much less impressive, coming in 39% lower than previous week and 37% below the typical delivery pace normally seen at this time of year and entirely reflecting seasonality, albeit at the lower end of the historical ranges.

**US corn futures opened higher this morning.** New net export sales of US corn were moderately higher than the previous reporting period coming in at 660,000 MT or 3.6% higher than the previous week; the volume is statistically equal with benchmarks for the marketing week. Physical deliveries for the reporting period were 7.8% lower than previous week, but 6.3% higher than the five-year average. US corn export activity is also entirely withing normal seasonal patterns.

US Slaughter	
450,000	Wednesday
482,000	Year Ago
Daily Prices	
WCB	\$30.45
ISM Formula	\$48.54
National	\$55.28
Nat'l Cutout	\$61.96
Signature 4	\$131.39
BP4/TCP4	\$131.39
OlyWest 2020	\$119.15
HyLife (prev. day)	\$130.61
HyLife Cutout	\$156.76
<b>BoC Rate (Noon) prev. day</b>	
\$1.3390 CAD / \$0.7470 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
<b>2020 Top-Up (YTD Rolling Est.)</b>	
\$17.93 CAD/ckg	
ISO Weans \$5.11 US Avg.	
Feeder Pigs \$14.65 US Avg.	

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		132.65 134.09	134.09 140.09	132.60 136.92	131.01 134.73	130.89 134.73	128.26 132.33	128.12 137.94	141.78 143.70	144.25 150.72	150.72
Soymeal Delivered Wpg/S.Man	469	472	476	479							

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