h@ms MARKETING SERVICES

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, June 15, 2020

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

US Slaughter	
2.457 mil.	Last Week
2.439 mil.	Year Ago
Daily Prices	
WCB	$30.52
ISM Formula	$46.72
National	$53.27
Nat'l Cutout	$60.77
Signature 4	$128.55
BP4/TCP4	$128.55
OlyWest 2020	$115.80
HyLife (prev. day)	$127.07
HyLife Cutout	$155.25
BoC Rate (Noon) prev. day $1.3596 CAD / $0.7360 USD	
Cash Prices Week Ending June 13, 2020	
Signature 4	133.52/60.56
h@ms Cash	131.52/59.66
HyLife	130.37/59.14
HLF Cutout	157.28/71.34
BP4/TCP4	150.51/68.27
OlyWest	135.20/61.33
2020 Top-Up (YTD Rolling Est.) $18.39 CAD/ckg	
ISO Weans $5.11 US Avg.	
Feeder Pigs $14.65 US Avg.	

Forward contract prices opened mostly lower this morning. *US cash reference markets are mixed to start the week: the WCB base is $0.49 higher, the ISM Formula is $1.09 lower, and both National reference regions are down $1.02 USD/cwt relative to the previous day. Weekly slaughter came in at 2.457 million head or approximately 1% higher than year ago. There is talk US plant capacity could now be hovering around 95% and the weekly kill has now come in higher than year ago for the second consecutive week since Covid-19 disruptions materialized. However, the weekly level is almost exactly in line with the previous week's rate (2.452 million) and could represent an 'upper limit' of sorts for now. Previously, a 95% utilization rate was estimated to equate to 2.478 million hogs (weekly) suggesting plants could 'be there' right now. US packing plants are still struggling with labour issues and slower line speeds due to Covid-19 which will likely limit the extent to which production goals can be realized even if they move to second shifts. If a 95% slaughter capacity can only be maintained in the short to mid-terms, producers should expect weak pricing into the fourth quarter. Cutout values appear to be levelling out after their precipitous drop seen over the past couple weeks suggesting that formula prices using a cutout component may also start to level out and react more to the fundamental situation on the live hog side. Most recently, formula prices have been reacting to changes in the cutout – at first, they pushed higher as meat shortages and hoarding developed in the USA and then abruptly turned lower when pipelines started to be replenished along with subsiding fears over 'food shortages'. Formula-based prices mirrored this volatility and continue to do so today. The next few weeks will be crucial in understanding price direction unless, of course, some other externality develops and creates more volatility and/or unpredictability once again. Lean hog futures are mixed to start the week with the nearbys showing strength while the deferreds are revealing some pressure; 2020 contracts are ~25% lower than benchmarks while 2021 contracts are only weaker by about 5%. In the meantime, the market will be closely watching the weekly Export Sales report for clues on direction. As the slaughter level returns to more normal, pork demand should have a stronger influence on live hog demand as pipelines become reestablished compared to the recent decoupling when massive disruptions due to Covid-19 revealed the fragility of the production and distribution system. The Quarterly Hogs and Pigs report showing herd numbers as of June 1 will be released next week.*

Canadian delivered soymeal prices opened lower this morning. *US soybean futures are lower to start the week. The market has been unable to break out of the pattern that was established in the middle of April despite ideas that China continues to source loads from the US. Earlier, there was talk Chinese officials 'ordered' state owned enterprises from buying US beans, but even if that order was made, commitments from China are still being ordered. Now, it is not the massive volumes typically seen after harvest and the China is not remotely near being able to make good on Phase One commitments, but the activity does provide some optimism to the bean market that is currently hovering around contract lows.*

US corn futures opened lower this morning. *US corn is expected to be 100% planted when the weekly Crop Progress report is released later today. Conditions are expected to come in slightly higher than last week's 75% rate which is considered quite good. US corn futures still continue to trade under pressure; demand from all channels is relatively weak and until those dynamics change, it will be exceeding difficult for US corn values to break significantly higher.*

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		132.91 134.36	133.87 139.92	132.42 136.77	131.42 135.74	131.86 135.74	129.19 133.31	129.19 139.49	143.35 145.28	147.15 153.67	153.67
Soymeal Delivered Wpg/S.Man	469	472	476	478							

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
h@ms MARKETING SERVICES