

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 16, 2020

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

US Slaughter

457,000	Monday
474,000	Year Ago

Daily Prices

WCB	\$29.71
ISM Formula	\$48.19
National	\$53.05
Nat'l Cutout	\$58.91
Signature 4	\$128.11
BP4/TCP4	\$128.11
OlyWest 2020	\$119.83
HyLife (prev. day)	\$126.96
HyLife Cutout	\$150.99

BoC Rate (Noon) prev. day
\$1.3604 CAD / \$0.7350 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 \$5.60 US Avg.

Feeder Pigs \$13.22 US Avg.

Forward contract prices opened mostly lower this morning. US

cash reference markets are mixed with WCB down \$0.81, ISM Formula up \$1.47, National down \$0.22, and the National Cutout-adjusted base price \$1.86 USD/cwt lower relative to the previous day. Formula prices are once again coming under pressure, on balance, due in part to further weakness in the value of the pork cutout. Yesterday's cutout report showed a net carcass one day drop of \$4.53, led by hams, which continues to struggle with demand and labour challenges on the boning line. Relatively modest increases in butts, ribs, and bellies were not enough to offset the weakness in loins, picnics, and hams as noted. While there is talk in some circles that production *could be* approaching 95% capacity compared to pre-Covid-19, a prominent livestock economist has noted the ramp-up has not been completely even across all plants. Out of the 28 plants Kearns and Associates tracks, 14 are above a 90% rate, but 'several' large plants are still struggling to get above 85% according to Dr. Steve Meyer in an article published in National Hog Farmer yesterday. As such, ideas that the industry as a whole has reached 95% production capacity today appears to be not completely rooted in fact. While evidence of hard animal back-up numbers and destructions are not (and cannot) be known at this time, the negotiated price likely hints at the scope of the problem. The WCB for example once again turned lower than \$30.00 USD/cwt yesterday for the second time in two weeks and the lowest value on internal record keeping marking a sharp contrast to the high-\$70 to mid-\$80 values typically seen at this time of year – Tuesday's value is 63% lower than the weekly five-year average. The Quarterly Hogs and Pigs report released on June 25 next week will be closely watched for clues on the extent of the recent culling. Lean hog futures gapped lower at the open and are trading under pressure in the early morning trade. Unfortunately, there is not much supportive news on the horizon and the market will simply have to wait for the fundamental and logistics picture to improve before a recovery can be mounted. The remaining 2020 futures contracts are discounted 25% relative to benchmarks while the 2021 contracts are 'only' 5% lower, on average. However, some further weakness has been recently creeping into the February contract (13% lower) hinting that some of the optimism seen earlier for 2021 could be getting pushed further in the new year.

Canadian delivered soymeal prices opened lower this morning.

Yesterday's Crop Progress report showed US soybeans came in at 93% completed for week ending June 14 against the five-year average pace of 88%. Crop conditions were unchanged relative to the previous week, coming in at 72% good to excellent. Beans traders remain somewhat optimistic that China will still make more commitments of US beans, but there is still some underlying fear that hostilities between China and the USA could ramp up once again. In addition to the recent disagreement over the handling of Covid-19 and Hong Kong, a Monday skirmish on the China/India border in the Himalayas that saw Chinese and Indian casualties on both sides could put the USA in a further difficult diplomatic position – USA is typically considered to be an ally with India.

US corn futures opened higher this morning. US corn futures are trading

higher, in part, following the release of yesterday's Crop Progress report that saw a surprise 3% reduction in the good to excellent category which now sit at 71% (74% good to excellent was expected). US corn is considered 100% planted and therefore the metric no longer appears on the report. 95% of planted corn is estimated to be emerged and some hot and dry weather will be closely watched this week for potential impacts on conditions.

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		126.95 128.39	130.38 136.38	129.42 133.74	127.97 131.73	127.89 131.73	125.25 129.33	125.25 136.73	140.57 142.49	144.36 150.84	150.84
Soymeal Delivered Wpg/S.Man	466	469	471	474							

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

h@ms
MARKETING SERVICES