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Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, June 17, 2020

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

US Slaughter	
460,000	Wednesday
479,000	Year Ago
Daily Prices	
WCB	$28.92
ISM Formula	$45.36
National	$52.44
Nat'l Cutout	$58.92
Signature 4	$126.18
BP4/TCP4	$126.18
OlyWest 2020	$112.48
HyLife (prev. day)	$125.14
HyLife Cutout	$150.59
BoC Rate (Noon) prev. day $1.3555 CAD / $0.7380 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 and maintaining a pattern of inconsistency between the reference regions that has been a feature of the cash markets for most of this week. The WCB is down $0.16, ISM Formula is $1.06 lower, the National base is down $0.95, while the National Cutout-adjusted reference is up $1.08 USD/cwt. Negotiated regions continue to see pressure due to the abundance of live supplies and a back-up of hogs due to earlier Covid-19 plant closures. The WCB, for the third time this week, is trading below the $30 psychological level coming in at $28.92 representing a 64% discount (!) compared to the five-year average weekly price typically seen in this marketing week. While the cutout did see some modest support in yesterday's report, the more domestic-oriented loin primal saw a sharp $10.22 drop placing its current $61.64 value at the lowest for this marketing week on record since the USDA reformatted the report in 2013. Formula-based cash prices generally remain under pressure and will likely continue to see it maintained in the short to medium terms. This morning's Export Sales report showed new net sales were up by notable amounts relative to both the previous week and five-year averages, but the trend is lower than before Covid-19. An article published by Dr. Jayson Lusk of Perdue University (available online) argues that the spike in pricing following *meat* scarcity during the brunt of plant shutdowns had a rationing impact in the export channels of which there appears to be evidence supporting the premise (i.e. less meat sold to export when prices rose). The article is in response to a piece in USA Today where domestic meat shortages were highlighted. It will be interesting to see, then, if the current lowering trend in pricing will create conditions that send exports back up to pre-Covid-19 levels. So far, net export sales to all regions have been sluggish compared to before the outbreak of the virus, but pricing has only been recently lower and there is usually a response lag in demand following pricing changes, in part, due to reporting peculiarities. Physical deliveries are likewise lower relative to pre-Covid-19 conditions but are still above the pace normally seen at this time of year coming in 40.1% higher than the five-year average. Of the 33,500 MT reported, China took approximately 40% which is in line with the recent pattern observed going into China. Lean hog futures are once again lower this morning with no real news from today's Export Sales report (or any other information source for that matter) to influence markets much higher than current levels.*

Canadian delivered soymeal prices opened higher this morning. *While new net sales of beans for week ending June 11 published in this morning's Export Sales report were ~60% higher than the five-year average, the weekly move in committed volumes saw a 46% drop. The longer term trend, therefore, mostly maintains typical seasonality and the really big commitments have yet to be revealed although new marketing year commitments are notably higher than the typical trend. Physical sales came in at 387,500 MT, up 32% from last week but 19% lower than the five-year average and within the range of seasonal patterns.*

US corn futures opened higher this morning. *Demand for US corn in export channels continues to be challenged with new net sales coming in 46% lower than week ago and 15% lower than the five-year average for the marketing week ending June 11. Physical deliveries were likewise lower coming in 29% lower than week ago and 26% lower than the five-year average. US corn really needs some positive demand news from any channel to lift it from the recent lows.*

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		124.75 126.20	128.17 134.20	126.92 131.26	125.49 130.00	126.14 130.00	123.49 127.59	123.49 134.85	138.70 140.63	142.91 149.42	149.42
Soymeal Delivered Wpg/S.Man	470	473	475	476							

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