Hog Margin Outlook

Meeting Your Marketing Needs

Monday, June 22, 2020

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

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US Slaughter	
2.587 mil.	Last Week
2.454 mil.	Year Ago
Daily Prices	
WCB	$28.08
ISM Formula	$43.34
National	$50.84
Nat'l Cutout	$58.18
Signature 4	$122.61
BP4/TCP4	$122.61
OlyWest 2020	$107.72
HyLife (prev. day)	$121.59
HyLife Cutout	$149.02
BoC Rate (Noon) prev. day $1.3587 CAD / $0.7360 USD	
Cash Prices Week Ending June 20, 2020	
Signature 4	127.61/57.88
h@ms Cash	125.61/56.98
HyLife	125.37/56.87
HLF Cutout	149.69/67.90
BP4/TCP4	133.52/60.56
OlyWest	119.20/54.07
2020 Top-Up (YTD Rolling Est.) $18.74 CAD/ckg	
ISO Weans $6.38 US Avg.	
Feeder Pigs $14.80 US Avg.	

Forward contract prices opened mostly lower this morning. *US cash reference markets are lower to start the week with WCB, ISM Formula, National, and National Cutout-adjusted reference markets down relative to the previous day by $0.53, $1.08, $1.70, and $0.33 USD/cwt, respectively. Negotiated regions (WCB for example) have been on a downward trend since week ending March 28 when plant closures due to Covid-19 started to back up hogs on farms. There was a brief and very modest increase a that lasted for about five weeks after the initial drop, but the negotiated regions have succumbed to the pressure of hogs backed up on farms and are heading lower once again. The intensity of the downward trend in the value of the cutout has likewise seen the intensity of the drop in formula prices also back off, but the pricing trend is still lower. National-based prices were 36% lower than the five-year average for settlement prices determined for week ending June 20 in a clear counter seasonal trend lower. Absolutely no one can ascertain with any certainty when prices will recover but it will likely take the backlog of hogs to be cleared and an increase on the pork demand side (which is under question as an economic recession looms amid a record amount of unemployed people in the US, not to mention the social/physical distancing protocols in many US locales that are keeping a full economic ramp ups in check). On the meat processing side, weekly US slaughter came in 5.4% higher than last year and marked the third week in a row the weekly kill was higher than year ago since the virus outbreak. There is still talk that the ramp up phase in pork production has been unequal between plants with some operating near or at full capacity while others struggle to meet an 85% capacity utilization rate, but the higher weekly kill level could suggest processors are starting to work through the back-up of hogs. Lean hog futures gapped lower at the open on increasing concerns that in addition to questions on the ability for domestic demand to normalize, exports are again a concern. On Friday, there was news within the industry that China was starting to 'demand' Covid-19 Product Statements and that meat suppliers sign a document declaring that foodstuffs imported into China have not been 'contaminated' with Covid-19. The USDA had been advising exporters to not sign such documents and as of Friday, there were no reports of product clearance issues. Over the weekend, Bloomberg reported that China suspended poultry products from a Tyson plant after an outbreak was revealed. It should be noted an outbreak does not necessarily mean that a product has been 'contaminated'. The move implies China will not be a freely accessible market, ASF-related meat shortages or not.*

Canadian delivered soymeal prices opened mixed this morning. *China news and speculation dominating the morning commentaries this morning despite official Chinese statements that China intends to make good on Phase One commitments and US Trade Representative Lighthizer expressing similar sentiments as early as last week. The problem is the market does not appear to believe them. The events that took place in the meat sector this weekend doesn't bode well if Chinese officials decide to make it difficult for US bean exporters too – currently, China is well supplied by Brazil, but that could change by harvest time.*

US corn futures opened lower this morning. *US corn futures continue to trade under pressure despite a recovering ethanol market which typically utilizes over two thirds of the US corn crop consistently. While exports are quite a bit lower as a percentage of production compared to beans, big numbers are still reported in the sector (often rivalling those of US beans in fact, as current estimates are today). As such, news that the Brazil Safrinha crop is getting larger is another issue weighing on the trade.*

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		121.73	128.51 132.36	126.59 131.15	125.42 130.67	126.57 130.67	124.17 128.02	124.17 135.74	139.58 141.50	143.47 149.72	149.72
Soymeal Delivered Wpg/S.Man	465	467	471	473							

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