

Hog Margin Outlook

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Wednesday, June 24, 2020

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Forward contract prices opened mostly higher this morning. US

cash reference markets are mixed mid-week with ISM Formula and National both up by \$0.09, National Cutout-adjusted base down \$1.50, and the WCB, while up \$0.97 relative to the previous day, is still trading under \$30 coming in at \$28.53 USD/cwt. Weekly slaughter levels have been higher than year ago for three weeks and recently higher daily kills have sparked talk that the 'plant problem' is largely over from a capacity standpoint. Of course, the weekly numbers (and daily for that matter) gloss over regional challenges that still might be taking place due to either labour challenges or simply not being able to ramp up as has been anecdotally reported all last week. Regardless, now that numbers are moving in a more normal pattern for now, most commentators are suggesting market participants look toward meat demand for clues on price direction. To be clear, there are believed to be a lot of hogs backed up on farms that will need to be processed before demand on the meat side has an impact on the price of live animals. But as the backlog subsides, those interrelationships will likely start to connect more acutely once again. One of the big questions, then, is how will demand fare in the face of a looming recession, massive US unemployment, and a foodservice industry that has yet to recover? Tomorrow, the USDA will release the Quarterly Hogs and Pigs report. Not all categories are represented here, but the ones that will be scrutinized on the chart inset here will be in the Kept for Breeding, 180+lbs, and Under 50 lbs. categories. It is important to remember that while this report is compiled from surveys estimating levels as of June 1, farrowing intentions, for example, were probably surveyed in the first part of March suggesting some of the numbers might be understated. Moreover, some of the variability in the estimates (108+lbs. category for example) highlights the uncertainty on euthanasia. The Quarterly Hogs and Pigs report will be released tomorrow at 2:00PM Central, after the market closes.

Analysts' Expectations vs. June Quarterly Hogs and Pigs Report			
	Range of estimates (% of 2018)	Avg. Pre-report	USDA Report
All hogs	102.1-105.1	103.7	
Breeding	97.4-98.8	98.1	
Marketing	102.4-105.7	104.2	
>180 lbs.	102.2-126.8	116.6	
120-179 lbs.	104.0-106.3	105.2	
50-119 lbs.	98.0-106.3	102.6	
<50 lbs.	87.8-104.2	97.8	

Source: citing Reuters in DLR; USDA-NASS

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Canadian delivered soymeal prices opened mixed this morning.

US soybean futures remain rangebound and no fundamental changes are developing. The news making the rounds currently, however, is that China is asking US, Canadian, and Brazilian exporters to sign documents 'certifying' that bean shipments are not contaminated with Covid-19. The move has been suggested to be one that will alleviate testing in China and subsequently relieve some congestion a ports, but it has also been suggested that this could lead to liability issues further out, good 'science' or not.

US corn futures opened higher this morning.

US corn futures remain on an upward tack, but technical indicators may once again limit further upside potential in the coming days. The market is very much in a wait-and-see holding pattern as the weather in the US, while variable regionally, remains unthreatening for now in a very general sense and demand remains relatively weak from all sectors. Traders will look to the Quarterly Grain Stocks report released next Tuesday for clues on direction.

US Slaughter	
468,000	Tuesday
473,000	Year Ago
Daily Prices	
WCB	\$28.53
ISM Formula	\$44.45
National	\$51.08
Nat'l Cutout	\$56.86
Signature 4	\$122.55
BP4/TCP4	\$122.55
OlyWest 2020	\$110.12
HyLife (prev. day)	\$121.78
HyLife Cutout	\$145.18
BoC Rate (Noon) prev. day	
\$1.3516 CAD / \$0.7400 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 Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		120.99	130.18 134.03	127.42 131.99	126.14 131.44	127.35 131.44	124.94 128.79	124.94 136.96	140.81 142.74	144.37 150.63	150.63
Soymeal Delivered Wpg/S.Man	465	468	471	473							

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