

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, July 2, 2020

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

Forward contract prices opened mostly mixed this morning. US

cash reference markets have been mixed over the past couple days. While the USDA continued to report prices on Wednesday, Canadian offices were closed due to Canada Day meaning one day of data (July 1) will not be reported although it was recorded. Regardless, it's more of the same in cash markets meaning a sideways price trend and no significant movements either higher or lower at this time. Today, the daily negotiated WCB region is \$0.24 lower than June 30 (July 1 also lower), ISM formula is down \$0.22 (also lower on July 1) the National base price is \$0.41 higher than Tuesday (up on July 1), while the National Cutout-adjusted base is down \$0.81 USD/cwt (and was lower yesterday as well). Despite the overall pressure, the regions are generally 'levelling out' this week, and the intensity of a week-over-week drops could be moderated compared to recent history when settlement prices are determined later this afternoon and published Friday morning. Lean hog futures are mixed this morning following a generally 'sideways' session yesterday. There is no real news surfacing that would influence futures to break out of the recent trading pattern which sees the remaining 2020 futures contracts hovering at contract lows (remaining 2020 futures are ~31% lower than five-year average cash settlement prices seen at this time of year in a metric that is followed to determine relative value). This morning President Trump held a news conference touting the latest employment numbers for June in the USA which have seen remarkable gains after historic losses due to Covid-19 business closures. While the President did highlight the record gains, what was missing from the narrative was the backdrop upon which these record gains were achieved. Of course, the gains of 4.8 million workers in June are a function of workers returning to jobs after being laid off or otherwise let go due to Covid-19 – the employment numbers are not 'new jobs' per se. Regardless, the numbers are better than expectations, (3.23 million), the unemployment rate is now at 11.1% (12.5% expected), and it is vitally important that workers return to the labor force as their economic participation is critical to the economic health of the USA and will hopefully translate into more demand as consumers earn more discretionary income (again). Lean hog futures haven't yet responded, however; while the return to economic normalcy may be on track, an increase in demand for meat (and pork) has not yet been shown. That demand may come, but it may take some time especially as foodservice still faces unprecedented challenges.

Canadian delivered soymeal prices opened higher this morning.

Tuesday's Quarterly Grain Stocks report showed US soybeans were at 1.386 billion bu. compared to the 1.392 billion bu. average pre-report expectation and was considered neutral for the trade. Acreage, however, came in over 900,000 acres lower than pre-report average estimates and amid the lower end of the range at 82.8 million acres. This number was considered bullish and futures rallied immediately following the release of the report. The market reached levels not seen since the beginning of March as it headed toward, but did not quite get to, \$9.00

US corn futures opened higher this morning.

US corn futures rallied on Tuesday after the release of the Quarterly Grains Stocks report, continued higher in yesterday's trade, but have moderated as of this writing. Stocks were bearish, coming in 273 million bu. higher than average expectation. But the real news was found in the acreage numbers that were over 3 million acres lower than pre-report expectations; US corn is currently pegged at 92.0 million acres by the USDA. The nearby futures contract is trading at the \$3.45 USD/bu level and briefly eclipsed \$3.50 yesterday in a price that hasn't been seen since March 30.

US Slaughter	
469,000	Wednesday
478,000	Year Ago
Daily Prices	
WCB	\$28.41
ISM Formula	\$44.09
National	\$50.71
Nat'l Cutout	\$57.26
Signature 4	\$122.22
BP4/TCP4	\$140.00
OlyWest 2020	\$109.89
HyLife (prev. day)	\$121.62
HyLife Cutout	\$147.09
BoC Rate (Noon) prev. day	
\$1.3628 CAD / \$0.7340 USD	
Cash Prices Week Ending	
June 27, 2020	
Signature 4	122.63/55.62
h@ms Cash	120.63/54.72
HyLife	121.64/55.18
HLF Cutout	148.52/67.37
BP4/TCP4	127.61/57.88
OlyWest	111.20/50.44
2020 Top-Up (YTD Rolling Est.)	
\$19.02 CAD/ckg	
ISO Weans \$6.07 US Avg.	
Feeder Pigs \$14.25 US Avg.	

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		125.23 129.09	122.65 127.23	121.00 129.31	125.22 129.31	122.81 126.66	122.81 138.66	142.52 144.45	146.18 152.45	152.45
Soymeal Delivered Wpg/S.Man	475	480	484							

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Hams Marketing Services will be closed Wed, July 1 for Canada Day.

Risk Management will be closed one hour early on Thurs, July 2 and all day on Fri, July 3 for Independence Day (USA). Main office is open on the 2nd

and 3rd. The HMO and morning price reports will not be published on the national holiday days.

