

# Hog Margin Outlook

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Wednesday, July 8, 2020

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

## US Slaughter

469,000	Tuesday
477,000	Year Ago

## Daily Prices

WCB	\$29.48
ISM Formula	\$44.49
National	\$50.60
Nat'l Cutout	\$56.34
Signature 4	\$121.99
BP4/TCP4	\$140.00
OlyWest 2020	\$110.18
HyLife (prev. day)	\$120.61
HyLife Cutout	\$143.83

**BoC Rate (Noon) prev. day**  
\$1.3583 CAD / \$0.7362 USD

## Cash Prices Week Ending

July 4, 2020

Signature 4	122.86/55.73
h@ms Cash	120.86/54.82
HyLife	121.66/55.18
HLF Cutout	148.62/67.41
BP4/TCP4	140.00/63.50
OlyWest	109.70/49.76

**2020 Top-Up (YTD Rolling Est.)**

\$19.02 CAD/ckg

ISO Weans \$5.55 US Avg.

Feeder Pigs \$14.52 US Avg.

## Forward contract prices opened mostly higher this morning. US

cash reference markets are mixed mid-week with ISM Formula down \$1.65, National \$0.94 lower, and the National Cutout-reference base down \$1.57 USD/cwt. The WCB, the negotiated region we monitor, was higher by \$0.82 possibly reflecting an increase in plant capacity as processing ramps up following initial Covid-19 disruptions. While the WCB region is showing a slight bias higher, it is very modest; values still reside under \$30.00 USD/cwt as they have for the previous three weeks and are ~62% lower than the average price in the region typically seen at this time of year which is \$77.19 (five-year average). Large Saturday kills are an indication that packers are attempting to work through the backlog of hogs and there is some scattered anecdotal evidence supporting this notion as well. But the market had a lot of animals to contend with even without plant shutdown complications and significant cash supports for live supplies at this juncture seem remote. Ideas that live supply 'holes' due to US culling are also unlikely in the near term as the most recent Hogs and Pigs reports suggests herd contractions won't materialize until spring 2021 – data on death loss is only reported annually and will not be 'known' until next year. There is a lot of speculation on death loss, but speculation is all it remains for now. No one truly knows and the markets are biasing toward more pigs on hand in the near term, not less. Lean hog futures are mixed to start the session with the nearby contracts seeing some support while the deferreds are under modest pressure. The moves, however, are relatively unremarkable. The futures market has been trading in a relatively sideways pattern since the release of the Quarterly Hogs and Pigs report on June 25 after the market moved lower on bearish hog crop numbers. It is likely to remain in this pattern until the news substantially changes. The big 'hope' would be for a Covid-19 vaccine or other treatment to be developed and commercialized shortly that would allow the domestic economy to more fully open back up, all else equal. The domestic market in the US is the biggest market for US pork (unlike Canada) and a return to economic normalcy is especially important for restaurant and foodservice. Recall that foodservice includes hotel and convention centers, school and factory cafeterias, concert and sports venues, state fairs, etc. that have all been essentially shuttered and slow to re-open. A looming second wave of virus outbreaks in the US and of potentially more closures (again) is weighing on the trade.

## Canadian delivered soymeal prices opened lower this morning.

On Friday, the USDA will release the July WASDE report which will be watched for more clues on direction. Traders will be looking for yield estimates to come under 50 bpa for some support and currently, the average pre-report estimate is coming in at 49.8 bpa on average within a 48.8 to 52.8 bpa range. While old crop ending stocks are not expected to change that much relative to the June numbers (584 million bu on average for July), new crop estimates are 21 million bu. higher than the June report at 416 million bu but notably lower than old crop potentially reflecting optimism in the export market and perhaps a stronger economy next year.

## US corn futures opened lower this morning. Aside from the support seen

earlier last week due to the supportive Quarterly Grain Stocks report, US corn futures are once again under pressure and have been trading in a lower trend since the beginning of the month. While the July WASDE pre-report ending stocks estimates for old crop are suggesting bearish numbers (2.277 billion bu, up from 2.103 last month), new crop estimates are more supportive coming in at 2.683 billion bu compared to 3.323 billion in the June report, a 360 million bu drop. Pre-report estimates have yield at 178.5 bpa on average for 2020/21.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		123.79 129.56	124.03 128.60	122.62 130.44	126.35 130.44	123.95 127.79	123.95 140.98	144.84 146.76	149.30 155.57	155.57
Soymeal Delivered Wpg/S.Man	475	479	483							

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