

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, July 9, 2020

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

Forward contract prices opened mostly mixed this morning.

US cash reference markets are mixed with the negotiated WCB region down \$0.37, ISM Formula \$1.48 lower, National up \$0.09, and the National Cutout-adjusted base price \$1.85 USD/cwt higher relative to the previous day. The WCB region has been unable to break higher than \$30.00 USD/cwt since marketing week 25 (three weeks ago) as large supplies that have been backed up following Covid-19 packing plant disruptions were exacerbated by large numbers of animals already being produced and certainly no shortage of live supplies. The question of how many hogs are actually backed up remains and varies widely depending on the analyst. Regardless, large Saturday kills appear to support the notion that packers are attempting to work through the back ups with numbers that typically do not appear until the fall. Speculation remains in the meantime and the low prices in all regions adds to the idea that packers do not have to aggressively bid to keep hooks full and maintaining good margins. Both National formula-based regions saw an uptick in prices as a function of the day over day change in the net value of the cutout that saw a one-day improvement of \$4.56 USD/cwt, led by hams (up \$16.03) and bellies (up \$11.02). Despite the support, the National region (independent from the cutout-adjusted base) is still about 38% lower than the prices typically seen at this time of year. Ideas that prices will rally in any meaningful way for the rest of the third (and fourth) quarters appears remote. This morning's Export Sales report for week ending July 2 provided a bit of optimism with net sales coming in notably higher than the five-year averages. It was a bit disappointing to see the week over week levels drop by 20%, but the 31,500 in net new sales maintains the trend upward seen in recent weeks with Mexico leading. Of note, China did cancel 4,500 MT but were net positive for the week and still second only to Mexico. Had China not cancelled loads, they would have been in the leading position with 12,600 MT. Physical sales came in 8% higher than previous week and 89% higher than the five-year average. Nearby lean hog futures are higher at the open, but only recovering from the pressure seen in recent days and still amid contract lows. Deferred contracts are lower, albeit faring better than the 2020 offerings, but not yet optimistic enough to price in further support.

Canadian delivered soymeal prices opened higher this morning.

Net sales of US soybeans were substantially higher than previous week coming in at 952,000 MT. China led with 461,000 MT or 48% of new commitments. Current marketing year commitments are now at their highest level in the marketing year but will likely be drawn down in the coming weeks as customers take delivery. Physical deliveries were 3% lower than the five-year average but 20% higher than week ago and generally maintaining historical seasonal trends. China does not typically buy large amounts until late August and the market is waiting to see if the pattern remains. Some recent diplomatic spats may disrupt normal buying activity regardless of Phase One expectations, however.

US corn futures opened higher this morning.

Physical deliveries of US corn for export were 25% lower than week ago and 6% lower than the five-year average coming in at 1.084 MMT. Week over week numbers have been see-sawing back and forth since the end of April but are generally within seasonal ranges. New net sales of US corn were up 66% compared to week ago, 45% higher than the five-year average, and near the upper end of the historical range at 599,200 MT. US corn needs all the demand support it can get.

US Slaughter	
467,000	Wednesday
482,000	Year Ago
Daily Prices	
WCB	\$29.11
ISM Formula	\$43.01
National	\$50.69
Nat'l Cutout	\$58.19
Signature 4	\$121.81
BP4/TCP4	\$140.00
OlyWest 2020	\$106.85
HyLife (prev. day)	\$121.18
HyLife Cutout	\$148.99
BoC Rate (Noon) prev. day	
\$1.3538 CAD / \$0.7390 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 Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		123.75 131.71	126.19 130.75	125.01 131.93	127.85 131.93	125.44 129.29	125.44 139.60	143.43 145.35	146.07 152.31	152.31
Soymeal Delivered Wpg/S.Man	481	484	487							

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