

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, July 14, 2020

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

US Slaughter

454,000	Monday
411,000	Year Ago

Daily Prices

WCB	\$29.13
ISM Formula	\$45.40
National	\$50.28
Nat'l Cutout	\$57.78
Signature 4	\$121.09
BP4/TCP4	\$140.00
OlyWest 2020	\$112.88
HyLife (prev. day)	\$120.30
HyLife Cutout	\$148.07

BoC Rate (Noon) prev. day
\$1.3567 CAD / \$0.7371 USD

Cash Prices Week Ending

July 11, 2020

Signature 4	122.50/55.57
h@ms Cash	120.50/54.66
h@ms Cash	120.50/54.66
HyLife	121.38/55.06
BP4/TCP4	140.00/63.50
OlyWest	110.80/50.26

2020 Top-Up (YTD Rolling Est.)

\$19.47 CAD/ckg

ISO Weans \$5.01 US Avg.

Feeder Pigs \$13.64 US Avg.

Forward contract prices opened mostly higher this morning. US cash reference markets are mixed with the WCB negotiated region down \$0.74, ISM Formula up \$1.76, and both National reference prices including cutout-adjusted down \$0.44 USD/cwt relative to the previous day. While the trend that saw consistent price drops week over week since mid-March for WCB and mid-May for the National region appears to be over for now, prices nonetheless remain at historical lows and under significant pressure. Last week's base price for National was 37% lower than price normally seen at this time of year while the WCB was a whopping 62% lower than the five-year average for the same marketing week. Unfortunately, there is nothing on the horizon pointing to a meaningful recovery of any sort. While weekly slaughter is well above earlier ramp up phase estimates in a post-Covid-19 plant closure environment, a backlog of hogs on farms due to those earlier closures all but ensures packers do not have to aggressively bid to secure supplies. If anything, it appears as though US packers are attempting to 'help' with that backlog observing Saturday kills well above what would normally be seen at this time of year. But even if the pipeline returns to more normal sooner than later, market watchers will be looking for signs of increased demand from meat buyers which is looking increasingly dim especially as secondary outbreaks of Covid-19 are prompting some states to 're-close' parts of their economy again as California has recently done. Demand for pork is needed and new closures will dampen that demand and subsequently pressure cutout values. Looking further forward still, an ample amount of live supplies in the fourth quarter are expected and if live supplies overshoot processing capacity, the result will be more pressure on hog prices. Today, cash pricing trends are called steady to lower even though they are already residing amid lows. There simply is not enough optimism and ideas that a supply hole due to culling or other industry contraction activity will likely not materialize until 2021. Lean hog futures are mixed this morning but like the cash market, there is really just nothing that will break the trade out of the recent trend that is also amid the lows for the remainder of the year. 2021 contracts are performing better than the 2020s, but they are also below benchmarks and have no reason to mount a turn higher yet.

Canadian delivered soymeal prices opened lower this morning.

A 3% decline of the soybean crop in good/excellent condition was reported in yesterday's Crop Progress report that was published after trading yesterday. The move has ushered in some support to the soybean futures market, but the strength could be short lived. The weather is generally not considered to be threatening enough and there are still some very large question marks regarding the health of the export market in the short to mid-terms. Tensions appear to be increasing between China and the USA, but Chinese officials still say they will honor Phase One commitments.

US corn futures opened mixed this morning.

Like beans, US corn futures got a bit of support from a 2% decline in the good/excellent condition category but also like beans, there are no widespread concerns over USA weather presently, localized thunderstorm issues notwithstanding. At least one analytics firm has dropped yield estimates from 180.4 bpa to 178.9 bpa citing the drop in conditions as rationale for the move. Ethanol demand is returning, albeit not yet at pre-Covid-19 levels. US corn will likely not rally on the news, but these two events could keep further downsides in check for now.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		128.78 133.25	127.69 132.28	126.31 131.75	127.64 131.75	125.23 129.09	125.23 140.09	143.95 145.87	146.89 153.15	153.15
Soymeal Delivered Wpg/S.Man	466	466	470							

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