

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, July 16, 2020

For details call: (204)235-2237 or visit
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US Slaughter

470,000	Wednesday
463,000	Year Ago

Daily Prices

WCB	\$31.85
ISM Formula	\$45.77
National	\$52.14
Nat'l Cutout Adj	\$59.64
Signature 4	\$125.25
BP4/TCP4	\$140.00
OlyWest 2020	\$113.97
HyLife Cash	\$133.82
HyLife Cutout	\$153.07

BoC Rate (Noon) prev. day
\$1.3534 CAD / \$0.7389 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 2020	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 WCB up \$0.58, ISM Formula down \$0.63, and both National reference base prices \$1.10 USD/cwt higher. Formula prices have seen some support from an increase in the net value of the cutout which was led by hams yesterday. Until recently, a poor Mexican peso and labour issues regarding ham boning in the USA were keeping hams in the mid \$40 USD/cwt range (\$46.82 on average since the beginning of April) and saw values in the \$30s for the first three weeks of April. But a resurgence in ham demand is propping up the primal. Hams make up about 25% of the value of the carcass so any impact to the ham primal typically sees moves in the net value of the carcass. Follow through interest will be watched for but in the meantime, hams appear to be 'back' for now. The net value of the carcass is trending higher so far this week, supported by the recent move in hams, and continuing the tack seen since week ending June 20. If the trend is maintained, it will provide underling support to the value of hogs priced off formulas that includes the National price in its base calculation (cutout-adjusted or not). Lean hog futures gapped higher at the open this morning and are continuing the move higher as of this writing. While this morning's export sales report for week ending July 9 was considered 'good', the report in itself is not enough to evoke a response from the market such as is being witnessed this morning. A combination of cutout strength, new front month (August contract), news that China is asking two plants in Brazil to suspend exports due to Covid-19 transmission fears (beef and poultry), other news that Argentina is complying with China's request and suspending exports on an interim basis from eight plants for the same reason (beef), and this morning's export sales report numbers are likely all part of the equation. On that note, new net sales came in at 38,500 MT, a 22% increase over week ago and markedly higher than the 15,200 MT average typically seen in this marketing week. Physical deliveries were less impressive and came in 12.7% lower than the previous week but were 45% higher than the five-year average. The futures move higher this morning lifts the 2020 contracts off the lowest of the lows, but the market still has a way to go yet before anything could be considered a recovery. Follow through buying will be needed before that determination is made in any event and the market has backed off a bit as of this writing.

Canadian delivered soymeal prices opened higher this morning.

This morning's Export Sales report showed that new net sales were ~61% lower than week ago but still 40% higher than the five-year average. The 312,900 MT kind of flies in the face of talk that has been recently taking place suggesting that China is actively buying US beans currently. Physical deliveries were a little more optimistic at 575,300 MT representing a 23% increase over week ago and 15% higher than average. China may be buying but *significant* sales have yet to materialize.

US corn futures opened higher this morning.

Record numbers of US corn sales to China reported this week were not revealed on this morning's Export Sales report but that was expected as the export numbers reflect a reporting period that ends on the previous Thursday, in this case, July 9. 'This week's' numbers showed 981,000 MT in new net sales (63% higher than prior reporting week and significantly higher than the 375,000 MT normally seen in this marketing week on average), while physical deliveries came in at 1.014 MMT representing a 6% reduction compared to prior week and, coincidentally, the five year average. When China numbers are applied to net sales next week, it will appear as an outlier in the data.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		132.32 135.19	129.68 134.23	128.40 133.37	129.28 133.37	126.88 130.72	126.88 140.06	143.90 145.81	146.60 152.83	152.83
Soymeal Delivered Wpg/S.Man	465	468	472							

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STRENGTH IN NUMBERS

