

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, July 23, 2020

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

US Slaughter

478,000	Wednesday
475,000	Year Ago

Daily Prices

WCB	\$35.17
ISM Formula	\$48.86
National	\$54.22
Nat'l Cutout Adj	\$61.72
Signature 4	\$129.15
BP4/TCP4	\$140.00
OlyWest 2020	\$120.16
HyLife Cash	\$137.42
HyLife Cutout	\$156.43

BoC Rate (Noon) prev. day
\$1.3420 CAD / \$0.7452 USD

Cash Prices Week Ending

July 18, 2020

Signature 4	123.58/56.06
h@ms Cash	121.58/55.15
HyLife Cash	132.07/59.91
HyLife	151.25/68.61
BP4/TCP4	140.00/63.50
OlyWest 2020	109.60/49.71

2020 Top-Up (YTD Rolling Est.)

\$19.61 CAD/ckg

ISO Weans \$6.03 US Avg.

Feeder Pigs \$10.90 US Avg.

Forward contract prices opened mostly higher this morning.

US cash reference markets are mixed with the negotiated WCB region posting a \$2.71 USD/cwt value higher relative to the previous day and one of the highest one-day increases in recent memory. While no Western Canadian programs use the WCB in price discovery, the region is monitored as a proxy for negotiated regions (as opposed to formula) and a more 'boots on the ground' perspective. It is too early to draw any conclusions from the move, but a cold storage report showing two straight months of declining pork in freezers yesterday (down 25% compared to last year) have had some suggesting this indicates that pork is, at least, not being backed up in storage which was an earlier and potential concern. This is a good thing for pricing as packers may attempt to bid more aggressively in an effort to replenish depleting stocks i.e. that demand may 'pull through' the pipeline assuming packing capacity can remain at current levels and subsequently support negotiated bids. Formula regions have come under some pressure with both National reference markets down \$0.52 primarily due to some weakness in the value of the cutout that fell \$2.90 USD/cwt net all primals in yesterday's report. In fact, all individual cuts were lower led by picnics (down \$7.72 and the all-important belly down \$4.25). This morning's export sales report revealed weekly physical deliveries up 70% from the five-year average and 22% higher than the previous week. Of the 35,700 MT recorded, China took 13,700 MT or 38% with Mexico coming in second at 8,600 MT or 24% of the weekly total. New net sales are maintaining the recent trend that sees new net sales up 69% compared to the five-year average but down 17% relative to prior week. Mexico was the largest customer here taking in 12,900 MT with China in second place at 7,200 MT including a 600 MT cancellation. The market will be pleased with the reemergence of Mexico on the report, but somewhat concerned with a slightly decreasing China presence. As well, and for the first time since January, a small amount of pork committed for the 2021 marketing year showed up. The very modest 257 MT was attributed to Australia and barely moved the needle, but it was notable as that category has not seen any activity in months. All in all, markets have responded positively to yesterday's Cold Storage and this morning's Export Sales reports, but despite the moves higher, futures still have a way to go, especially for the remainder of 2020 where levels are still 21% lower than historical cash settlement benchmarks (which are used to gauge relative value).

Canadian delivered soymeal prices are unavailable this morning.

New marketing year volumes of 2.30 MMT were revealed on the weekly Export Sales report, finally 'confirming' daily reports of China buying that have been common over the past couple weeks. The report is for week ending July 16, so it takes some time for the numbers to show up in the official reporting. In any event, the increase in new marketing year volume represents commitments showing up about six weeks ahead of the normal spike in activity and if the trend is maintained, soybean futures will likely start to show some more optimism.

US corn futures opened lower this morning.

As expected, the large China purchases that have been talked about were revealed this morning where new marketing year commitments saw a significant increase. Over 2.33 MMT were reported where, also like beans, the volume comes about six weeks ahead of normal for new year commitments. Of the total, China committed to 1.96 MMT or 84%. Markets have yet to react, however, as China is not the 'typical' US corn buyer and traders will likely be looking for follow-through buying before futures really start to respond. Current marketing year commitments were also relatively poor, adding pressure.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		131.03 133.46	126.99 130.56	125.48 129.87	125.83 129.87	123.22 127.26	123.22 138.67	142.47 144.61	145.85 152.51	152.51 160.59
Soymeal Delivered Wpg/S.Man	N/A	N/A	N/A							

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