

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, July 27, 2020

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

US Slaughter

2,589,000	Last Week
2,359,000	Year Ago

Daily Prices

WCB	\$38.95
ISM Formula	\$50.53
National	\$54.60
Nat'l Cutout Adj	\$62.10

Signature 4	\$130.07
BP4/TCP4	\$140.00
OlyWest 2020	\$123.77
HyLife Cash	\$137.83
HyLife Cutout	\$156.76

BoC Rate (Noon) prev. day
\$1.3421 CAD / \$0.7451 USD

Cash Prices Week Ending

July 25, 2020

Signature 4	128.86/58.45
h@ms Cash	126.86/57.54
HyLife Cash	138.02/62.61
HyLife	157.07/71.25
BP4/TCP4	140.00/63.50
OlyWest 2020	115.80/52.53

2020 Top-Up (YTD Rolling Est.)

\$19.72 CAD/ckg

ISO Weans \$7.87 US Avg.

Feeder Pigs \$16.84 US Avg.

Forward contract prices opened mostly mixed this morning.

US reference base cash markets are mixed to start the week with WCB up \$1.87, ISM Formula \$1.60 higher and both National references lower by \$0.56 USD/cwt relative to the previous reporting day. While the net value of the pork cutout has stabilized and even seen a slight bias to the upside in recent weeks, some softening of values and a backing off in the ham primal is adding some pressure to formulas using cutout values in their price discovery. In the meantime, the relatively swift ramp-up of pork production following Covid-19 plant closures has seemingly stopped the intense pressure on the prices of live hogs seen at the height of the disruption. More processing capacity means more hogs can be processed thereby helping to alleviate the backing up of hogs on farms or reduce the supply of market ready animals available. The flip side, however, is that more pork is also being made available to meat buyers and while there are still regional disruptions, the prices of pork have also dropped significantly meaning formula based prices have come under a bit of pressure as supply chains return more to normal. There are still a lot of hogs to be worked through, however, and the Saturday kills may prove to provide some insight. While weekly slaughter was 'only' 1.97% higher than year ago (but ahead of earlier estimates on when plants would be ramping up), the slaughter this Saturday was estimated at 231,000 hogs. This compares to around the 54,000 typically seen at this time of year and only 11,000 hogs last year for last marketing week. It also reflects the trend seen since the beginning of the ramp up phase, some Saturdays of which saw over 300,000 hogs processed on the weekend. While the number of hogs backed up still remains a topic rife with speculation, the large Saturday kills show packers have been processing much more than usual *at this time of year* which would be consistent with ideas that there are still a lot of animals backed up on farms. Lean hog futures are starting the week off on a mixed note but not significantly moving beyond the recent trend which has been observed, more or less, to be in a sideways pattern. There was news breaking this morning that China will be releasing more state reserves of pork, but the market is not reacting much to the news as the volume is relatively small (10,000 MT) and not really meaning all that much in the larger picture. However, the market needs to see continued commitments from the US's export partners and especially China. Simply put, markets could turn lower if export demand starts to soften, all else equal.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are mixed to start the week with no real breaking news to move markets much beyond their current trend. Weather remains favourable for the most part although there are some areas in the US that could use a rain shower. Markets are eager to see if China continues their recent buying spree. While physical deliveries have not really been all that remarkable, China stepped up new commitments for next marketing year a bit earlier than normal. Follow through buying will be key for ongoing support.

US corn futures opened lower this morning.

Massive flooding in southern China is being closely watched with pictures showing unbelievable property destruction making the rounds on social media and some news outlets. A major dam is under stress and many commentators think it could actually fail. While US corn is not typically a major Chinese import, there is talk that in addition to Phase One commitments, the recent flooding could prompt more purchases if authorities attempt to use US corn as a substitute for other commodities and/or shore up state reserves. The flooding has been ongoing for a couple weeks, but it is only showing up in the western media relatively recently.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		128.28	124.24 127.80	122.74 125.52	123.15 125.52	123.15 124.57	122.91 137.14	140.96 143.10	144.29 150.96	150.96 158.84
Soymeal Delivered Wpg/S.Man	473	473	473							

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