

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, July 24, 2020

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

US Slaughter

476,000	Thursday
470,000	Year Ago

Daily Prices

WCB	\$37.08
ISM Formula	\$48.93
National	\$55.16
Nat'l Cutout Adj	\$62.66
Signature 4	\$131.11
BP4/TCP4	\$140.00
OlyWest 2020	\$120.10
HyLife Cash	\$139.53
HyLife Cutout	\$158.60

BoC Rate (Noon) prev. day
\$1.3392 CAD / \$0.7450 USD

Cash Prices Week Ending

July 25, 2020

Signature 4	128.86/58.45
h@ms Cash	126.86/57.54
HyLife Cash	N/A
HyLife	N/A
BP4/TCP4	140.00/63.50
OlyWest 2020	115.80/52.53

2020 Top-Up (YTD Rolling Est.)

\$19.72 CAD/ckg

ISO Weans \$6.03 US Avg.

Feeder Pigs \$10.90 US Avg.

Forward contract prices opened mostly mixed this morning.

Overall strength seen in the reporting regions this past week has pushed US cash reference markets upward with the largest week over week gain seen since the end of May. Weekly settlement prices in the WCB region for week ending June 25 are \$3.00 higher than week ago while the non-adjusted Negotiated region is \$2.57 higher in USD/cwt. However, prices over this summer have been counter seasonally and extremely low and while a move off the lows is still good news for hog producers, the context is a summer seeing prices that, despite this week's move higher, are still 32% and 55% lower than the five-year average benchmarks for this marketing week in the National and WCB regions, respectively. In any event, the trend remains higher for now and pricing containing Friday data in its weekly calculation could see more support next week if the trend is maintained; Friday's daily base values are higher by \$1.91, \$0.07, and \$0.94 USD/cwt for WCB, ISM Formula, and both National reference points, respectively. Lean hog futures have given back all of yesterday's gains and gapped lower at the open this morning; the trade continued to move lower in the early session but appears to be finding some support as of this writing. The reason for the recent see-sawing is not entirely clear but from a purely technical perspective, some key resistance points are being met. It means that, in the absence of fundamental news that could influence the market higher (there is none), follow-through buying is unlikely at this juncture. While it is true that China has recently emerged as the number one destination for US pork by volume, ongoing domestic market challenges remain present in an environment that sees many jurisdictions in the USA unable to contain the spread of Covid-19. As such, authorities are starting to reinstate lockdown measures in some locales and quibble over what constitutes the conditions for reopening in others. Unlike Canada, the USA's number one disappearance channel for the pork it produces is the domestic market (~70%) and retail (grocery) has not offset the extreme weakness in the restaurant and foodservice sectors because of ongoing closures. Subsequently, 2020 contracts remain low and approximately 23% below average cash benchmarks as near-term optimism also remains low. Futures values in 2021 are more positive but still trading below value benchmarks in February, May, and June. Only the April contract is higher...today, by ~1% as of this writing.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are mixed to finish the week, influenced, in part, by export news showing poor current marketing year deliveries and commitments while the new marketing year saw a spike in levels that typically doesn't develop for another six weeks. Follow through buying from China will be important to watch for, but if the trend is maintained, US beans could see more support. Today, bean contracts out to November are trading under pressure while 2021 contracts are higher. It doesn't exactly reflect a new crop/old crop split, but commitments aren't typically delivered until later.

US corn futures opened higher this morning.

Unlike beans, US corn futures are higher across all offered contracts to finish the week. Like beans, new crop saw an increase in demand from China who committed to record volumes for 2021. But the market has also been trading amid the lows recently and some of the support could also be due to technical grounds, especially for the old crop contracts. US corn really needs a positive demand story to develop before real strength returns. A week or two of outlier demand numbers is not going to be enough – follow through commitments and new buying will be key, not to mention a critically important uptrend in ethanol demand.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		127.56 130.53	123.52 127.09	122.14 126.61	124.24 126.61	124.24 125.66	124.00 137.54	141.34 143.48	144.74 151.39	151.39 159.27
Soymeal Delivered Wpg/S.Man	472	472	472							

This bulletin is intended as a marketing tool for subscribed members only. Prices are **not** quotes and **all pricing is subject to verification**. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

follow us @hamsmarketing



Some Important Phone Numbers

Main Office: 204-233-4991

Toll Free: 1-800-899-7675

Logistics: 204-235-2225

Risk Management: 204-235-2237

STRENGTH IN NUMBERS

