Hog Margin Outlook

Meeting Your Marketing Needs

Friday, July 31, 2020

For details call: (204)235-2237 or visit
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US Slaughter	
475,000	Thursday
471,000	Year Ago

Daily Prices	
WCB	$41.09
ISM Formula	$52.24
National	$56.88
Nat'l Cutout Adj	$60.81
Signature 4	$135.60
BP4/TCP4	$140.00
OlyWest 2020	$127.64
HyLife Cash	$143.24
HyLife Cutout	$153.15

BoC Rate (Noon) *prev. day*
$1.3432 CAD / $0.7445 USD

Cash Prices Week Ending August 1, 2020	
Signature 4	132.48/60.09
h@ms Cash	130.48/59.19
HyLife Cash	141.34/64.11
HyLife	155.24/70.42
BP4/TCP4	140.00/63.50
OlyWest 2020	121.90/55.29

2020 Top-Up (YTD Rolling Est.)
$19.57 CAD/ckg

ISO Weans $7.87 US Avg.

Feeder Pigs $16.84 US Avg.

Forward contract prices opened mostly mixed this morning. *US cash reference markets are lower to finish the week with WCB, ISM Formula, National, and the National Cutout-adjusted base down $1.00, $0.68, $0.04, and $0.31 USD/cwt, respectively. However, weekly base prices for week ending August 1 are up relative to the previous week. For the negotiated regions, the WCB base price is $41.64 USD/cwt and coming in over the $40 mark for the fist time in 15 weeks. There has been much speculation on the notable increase in the WCB, but improved plant utilization is thought to be one of the drivers behind the increase in packer bids. The National reference region is on a more modest trend upward and has been trading in the mid-$50s for the past eight weeks. The extent to which the market can mount a recovery from this point, or even hold at these levels, very much remains to be seen. As the summer starts to fade away prices typically start to soften and the influences that apply that pressure are still present (pig biology and seasonal demand). There is even some concern that the number of animals available for slaughter this year will once again overshoot processing capacity in the fourth quarter. Lean hog futures are reflecting this concern with the remaining 2020 contracts trading over 20% lower than cash settlement histories (used as a benchmark for value in the futures). Futures levels for 2021 contracts are more optimistic, but still trading at a discount relative to the benchmarks and neither timeframe has really moved from their current levels in weeks. In order for that to happen, the market will need to see some signs of economic recovery and for Covid-19 to be brought under control in the USA. The US is currently experiencing upticks in reported Covid-19 cases and while death rates may be dropping in some locales, reports of new deaths are still coming in – remember, a lower number of daily reported deaths still means the overall total number of dead increases. As such, most officials are adopting a better-safe-than-sorry policy approach and new rounds of closures for areas frequented by the public are being (re)implemented. The US domestic market is the largest disappearance channel for US pork – until restaurant and foodservice returns to a more normal operational dynamic, further upside will be limited and the trading patterns likely to remain choppy and two-sided. Exports, while good today, cannot show any signs of weakness.*

Canadian delivered soymeal prices opened higher this morning. *After the bullish grains stocks and acreage numbers were revealed at the end of June, the market has been trading in a sideways pattern. However, there really is no fundamental reason to push the market in one direction or another today. Yesterday's export sales report showed another record for the marketing week in 2021 crop commitments, but that was unsurprising as most were expecting the volumes due to previously reported 'flash' sales. This week, reports of large flash sales have been notably absent so the market will be very interested to see if China continues to follow through on their recent purchase activity next week.*

US corn futures opened lower this morning. *By yesterday, the nearby US corn futures contract gave up all the gains made that followed the grain stocks and acreage numbers in the June report. Demand continues to be an issue for US corn; ethanol production, while recovering, is still well off the pace and yesterday's Export Sales report did not do much to add optimism. The exceptional volumes seen in the previous report for 2021 marketing year were down 72% relative to the previous week suggesting the prior week's commitments were not yet the beginning of a new trend. Physical deliveries remained seasonal and commitments for the remainder of 2020 were net negative on the week. US corn will need to see much more positive demand to lift off the lows.*

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig 4		126.49	122.44 126.01	121.04 124.26	121.88 124.26	121.88 123.31	121.64 135.88	139.70 141.84	142.84 149.52	149.52 157.43
Soymeal Delivered Wpg/S.Man	468	468	468							

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