

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, August 4, 2020

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

US Slaughter

425,000	Monday
425,000	Year Ago

Daily Prices

WCB	\$39.53
ISM Formula	\$52.33
National	\$56.05
Nat'l Cutout Adj	\$60.10
Signature 4	\$133.34
BP4/TCP4	\$140.00
OlyWest 2020	\$128.28
HyLife Cash	\$141.61
HyLife Cutout	\$151.86

BoC Rate (Noon) prev. day
\$1.3404 CAD / \$0.7460 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 \$9.35 US Avg.

Feeder Pigs \$16.28 US Avg.

Forward contract prices opened mostly lower this morning.

US cash reference markets are mixed relative to Friday's daily values in this holiday-shortened week as prices were not reported yesterday due to the civic holiday in Canada. The Negotiated WCB region was down \$1.56, ISM Formula up \$0.09, National down \$0.83, while the National cutout-adjusted base price was lower by \$0.71 USD/cwt. Weekly settlement base prices for week ending August 1 were higher in all regions relative to the week prior, but the start of this week reveals some weakness in all regions could be developing. WCB is once again below the \$40 benchmark and the remainder of the daily values are all lower than the previous week's base. The trend will be something to watch but producers should likely manage expectation on any 'recovery' in the cash markets. Supply chains are believed to be more or less back to normal (or recovering), but demand for pork in the aggregate is very much a concern amid abundant supplies. Weekly slaughter was slightly lower than week ago but came in at 2.543 million head or 8.4% higher than last year. There are still thoughts that many hogs are being backed up on farms, but there are ideas that the backlog for live supplies may not be as burdensome as what was thought to be possible at the start of the plant disruptions. On the meat side of the business, however, weekly cutout prices show the net value of the carcass 'levelling out' week over week since about the middle of June. More of this is expected especially as some of the more important cuts are struggling. Hams, for example, have seen some weakness return and are trading just above \$40 USC/cwt in the daily reporting. Yesterday, only hams trended lower relative to the other cuts for the second day in a row this week. The value of hams today is already ~32% below the weekly value which was 12% lower than the previous week. This cut will be one to watch as typically over a quarter of the value of the carcass is determined by the value of hams. Lean hog futures are still trading in a sideways pattern with much, but perhaps not all, of the negativity priced in for now. Presently, any upside appears remote. Futures contracts to the end of 2020 are flat as they have been for months which is a bit unusual; for example, the spread between the August (the last of the summer contracts) and the October (the first fall contract) is usually around 19%. This morning, that spread came in at only 1.8%. Futures in 2021 are slightly more optimistic and only 7% lower than benchmarks when averaged out (compared to the 25% in 2020), but there is no reason for a rally in the current market.

Canadian delivered soymeal prices opened lower this morning.

Yield estimates are starting to make the rounds with StoneX (formerly INTL FC Stone) publishing the results of their recent farmer survey. According to them, beans could come in with a 52.4 bpa yield. All else equal it could mean that new crop ending stocks may approach the 800 million bu. mark which would be pressuring if realized. Taken further, it could push bean values into the low \$8 range according to an analyst writing on the impacts of the StoneX report. Today, new crop beans are trading in the \$10-\$11 USD/bu range.

US corn futures opened lower this morning.

US corn futures are started the week off yesterday with a bit of support but are facing some more pressure this morning. The nearby contract is currently trading at \$3.11 USD/bu and not much more optimistic further out. A recent private yield estimate calculated by StoneX's producer survey showed that new crop corn could reach an average yield of 182.4 bpa. This is higher than present USDA estimates which pegs US average corn yield at 178.5 bpa (from the June Prospective Plantings report) and could mean over 3 billion bu. in new crop ending stocks all else equal. Levels over 2 billion bu. are typically considered high.

Forward Range
(at opening)

Maple Leaf
Sig 4

Soymeal
Delivered Wpg/S.Man

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
		120.79 124.36	119.37 122.69	120.32 122.69	120.32 121.74	120.08 132.79	136.59 138.73	139.32 145.97	145.97 153.85
	458	458							

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Some Important Phone Numbers

Main Office: 204-233-4991

Toll Free: 1-800-899-7675

Logistics: 204-235-2225

Risk Management: 204-235-2237

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