

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 6, 2020

For details call: (204)235-2237 or visit

www.hamsmarketing.ca

US Slaughter

475,000 Wednesday

476,000 Year Ago

Daily Prices

WCB \$38.03

ISM Formula \$50.70

National \$56.30

Nat'l Cutout Adj \$60.37

Signature 4 \$132.54

BP4/TCP4 \$140.00

OlyWest 2020 \$123.99

HyLife Cash \$141.92

HyLife Cutout \$152.08

BoC Rate (Noon) prev. day
\$1.3262 CAD / \$0.7540 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 higher this morning. US daily cash reference prices remain mixed as they have for over the course of the week and still maintaining a sideways trend although many of today's bases are biasing somewhat lower. The WCB, ISM Formula, and National regions came in lower by \$0.25, \$0.24, and \$0.03 USD/cwt, respectively, relative to the previous day. The National cutout-adjusted base was \$1.39 higher reflecting a slight improvement in the daily value of the pork cutout which has likewise been following a more or less sideways pattern despite being a bit choppy throughout the week. We have been saying for weeks that exports cannot show signs of weakness especially as the US domestic market remains weak (and uncertain) due to ongoing Covid-19 outbreaks and the subsequent person-movement restrictions being (re)implemented by officials. And while today's Export Sales report was somewhat steady, there are some potential storm clouds on the horizon. Physical sales could be considered good, coming in 9% higher than week ago and 87% higher than the five-year average. While the comparison to the five-year average could be considered high, it is merely maintaining the trend seen since the middle of May. In fact, the trend since May has been slightly lower compared to the period between January and the start of the initial Covid-19 disruptions but commitments have settled in at current levels. New net sales could also be considered good; although they were 23% lower than week ago, they still came in above 30,000 MT and were 66% higher than the five-year average normally seen in this marketing week. However, China cancelled another 3,000 MT of US pork and while the cancellation is not a particularly large one, it does lead to speculation regarding rationale especially since the protein dilemma due to ASF has not been completely resolved. The diplomatic health between China and the USA will be closely watched as tensions have been rising once again – there is anecdotal evidence that China shuns trade partners (unofficially) when they want to make a political point on the world stage. Meanwhile, lean hog futures continue to trade in a sideways pattern and are higher this morning after making up for the losses seen at yesterday's close. The net result is more of the same for futures which sees values basically unchanged so far all this week. The trade is very technical at this point, with no fundamental news to tip the market in favour of one direction over another. Until such news develops, a technically driven, sideways, and relatively uneventful market will be a likely result in the short term.

Canadian delivered soymeal prices opened higher this morning. Physical exports of US beans were slightly higher than average benchmarks but not outside of the historical ranges going back to 2010. Net sales are also trending higher than averages but just near the upper end of the historical ranges. But new marketing year commitments are once again notable coming in at 1.4 MMT and following the two previous weeks of 3.3 MMT and 2.3 MMT. The numbers place new marketing year (NMY) outstanding commitments among the highest on record for this time of year at 15.136 MMT except for in 2018 when NMY commitments were at a record 17.011 MMT.

US corn futures opened higher this morning. Physical sales numbers show US corn continues to struggle with near-term demand issues with week over week volumes 29% lower and 36% off the pace normally seen at this time of year. Net sales for current marketing year were notably higher than week ago, but last week's numbers revealed a net decline, so the news isn't really all that remarkable especially considering the volume was 60% off the normal pace. But China was a large buyer of NMY commitments, taking 1.9 MMT of the 2.6 MMT (75%) of total new commitments.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4		121.89 125.43	120.40 125.59	123.23 125.59	123.23 124.64	122.99 135.51	139.29 141.40	141.17 147.77	147.77 155.45	153.80 163.94
Soymeal Delivered Wpg/S.Man	453	453								

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STRENGTH IN NUMBERS

