

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, August 10, 2020

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

US Slaughter

2.534 mil. Last Week

2.350 mil. Year Ago

Daily Prices

WCB \$37.97

ISM Formula \$51.32

National \$55.80

Nat'l Cutout Adj \$63.30

Signature 4 \$132.50

BP4/TCP4 \$140.00

OlyWest 2020 \$124.76

HyLife Cash \$139.82

HyLife Cutout \$158.61

BoC Rate (Noon) prev. day
\$1.3377 CAD / \$0.7480 USD

Cash Prices Week Ending

August 8, 2020

Signature 4 133.52/60.56

h@ms Cash 131.52/59.66

HyLife Cash 141.40/64.14

HyLife 154.16/69.93

BP4/TCP4 140.00/63.50

OlyWest 2020 128.40/58.24

2020 Top-Up (YTD Rolling Est.)

\$19.55 CAD/ckg

ISO Weans \$12.40 US Avg.

Feeder Pigs \$15.47 US Avg.

Forward contract prices opened higher this morning. US cash reference markets are starting the week off on a mixed note but with all the Canadian base-price markets lower at the beginning of the week. The National region is \$0.74 lower while the cutout-adjusted variant is down \$0.42 USD/cwt. There is not much point in commenting on trends as 2020 has proven to be anything but a normal marketing year. However, for context, we will note that while both National reference prices have recovered about 10% from the lows seen in June, they are still well off the pace normally seen in this marketing week. The traditional National region is 28% lower than the three-year average while the cutout version is 18% lower than what would have been normal for this marketing week IF a cutout-based program was available – moving forward, any reference to historical cutout pricing will be premised on a theoretical and reverse engineered price reconstruction as cutout pricing in Canada did not exist until a couple months ago. Regardless of actual or technical comparisons, all regions continue to show weakness relative to history. There is much debate over the amount of hogs backed up on farms due to Covid-19 plant shutdowns in the USA but it almost doesn't matter if there is agreement on the numbers or not; price is generally an indicator of supply and demand fundamentals and packers are still not aggressively bidding for hogs. That should be a strong indication there are still plenty hogs available and until processors sense that some scarcity may be looming, live hog prices are likely to remain low. Lean hog futures started the first trading day of the week off on a higher note but have backed off somewhat as of this writing. This morning's move put the remaining 2020 contracts within 10% of the average value benchmarks when 20% and 30% was typical and sometimes venturing into the 40%+ territory. Of course, some of that value has been 'recovered' by virtue of the summer contracts becoming no longer available. Regardless, the October and December contracts were over 20% lower previously meaning today's levels are a bit of a departure from earlier. Forward contract values are mixed in value depending on the timeframe producers are looking at, but 2021 weeks heading into the summer are more optimistic today.

Canadian delivered soymeal prices opened higher this morning.

The nearby US soybean futures contract has recovered most of Friday's losses in the early morning trade, but the market is still very uncertain at this time. Export activity has been particularly good but there is a possibility that trade tensions could ramp up once again. Over the weekend, it was announced that China sanctioned 11 US political leaders and other officials in a tit-for-tat retribution move following the sanctions placed on 11 Chinese officials by the USA earlier. The move appears to be largely symbolic for now, but new developments will be closely watched.

US corn futures opened higher this morning. Like beans, US corn futures have reversed from the pressure seen on Friday and are trading higher as of this writing. US corn values, however, are residing amid contract lows with the nearby futures contract trading in the \$3.10 USD/bu. range. While some export activity to China has been observed, the future commitments are likely only keeping further downsides in check for now. Aggregate demand for US corn still continues to be an issue and a recovery in ethanol and other domestic channels will be needed in order for the trade to lift significantly off the lows.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4		130.89 134.45	129.47 132.43	130.06 132.43	130.06 131.48	129.83 140.16	143.95 146.09	144.14 150.79	150.79 158.75	156.07 166.28
Soymeal Delivered Wpg/S.Man	455	455								

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