

# Hog Margin Outlook

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Tuesday, August 11, 2020

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## US Slaughter

482,000	Monday
456,000	Year Ago

## Daily Prices

WCB	\$38.07
ISM Formula	\$51.82
National	\$56.53
Nat'l Cutout Adj	\$63.06
Signature 4	\$133.98
BP4/TCP4	\$140.00
OlyWest 2020	\$126.79
HyLife Cash	\$142.53
HyLife Cutout	\$159.02

**BoC Rate (Noon) prev. day**  
\$1.3354 CAD / \$0.7488 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 lower this morning.** US cash reference markets are mixed with WCB up by a dime, the National base \$0.73 higher and the National cutout-adjusted coming in lower by \$0.24 USD/cwt. Cash markets continue to see relatively flat daily moves as participants speculate on the future. On that note, the debate over how many hogs backed up on farms continues with some estimates hovering near the 2 million hog range, while anecdotal evidence an rumors implies those numbers may be a bit overstated. While we are of the view a concrete answer will only be revealed in hindsight, we would like to discuss something that hasn't been widely addressed: the Saturday slaughter. Weekend kill numbers increased almost immediately following the US plant shutdowns and leveled out at a much higher pace than seasonal Saturday averages in quick succession. By the end of April, US processing plants were killing above the year-ago rate and weekly five-year average. The result? From week ending April 25 to week ending August 8 (last week), the estimated number of \*additional hogs processed on Saturdays only\* compared to the five-year averages came in at 2.404 million hogs (2.335 million hogs over last year). The actual numbers (lagged by two weeks and reflecting an April 25 to July 30 timeline) showed 2.225 million and 2.058 million hogs over the five-year average and last year numbers, respectively. We are not stating that a production hole, or any meaningful price supportive event, is on the horizon in the near term. But we are suggesting that the seeming discrepancy between current estimates and unofficial rumors could be understood when placed against the Saturday kill backdrop. While this crude analysis \*does not\* address the actual numbers of backed up hogs, it could support the idea that producers are more current than at first thought. In any event, cash prices remain low implying an abundance of live supplies are presently available. Remember, these additional Saturday numbers would only work toward alleviating a bottleneck or other back-up disruption and does not represent 'new' slaughter this year. As well the increases above benchmarks will probably not be maintained when packers 'catch up' (even if the volumes remain high) and if the latest USDA Hogs and Pigs report is any indication, there are still a lot of animals coming up through the pipeline against potential capacity limits. Aside from localized incidents, there is little evidence that mass euthanasia has been conducted. Seasonal pressures coming into the fall are likely still going to be a challenge. Lean hog futures have backed off from the breakout session seen yesterday that brought the October contract to close almost \$3.00 higher than its open. Follow through buying has not materialized, however, and the market is trending lower this morning. In a refrain that is starting to sound repetitive, there simply is not enough bullish fundamental news to push the market \*consistently\* higher presently.

## Canadian delivered soymeal prices opened even this morning.

US soybean futures are relatively flat this morning as traders sit on the sidelines ahead of tomorrow's WASDE report. A massive weather event that started in S.Dakota and Nebraska and ending as far east as Ohio has also influenced a bit of a wait-and-see approach in the trade today. The event, known as a 'derecho', produced winds up to and surpassing 100 mph (as strong as an EF1 tornado) but instead of being relatively localized, it spanned eight states in varying degrees of area.

## US corn futures opened this morning.

Power to over 500,000 people has been disrupted following yesterday's derecho weather event. By afternoon, pictures of flattened grain bins and levelled corn crops was making the rounds on social media. Analysts have not yet come up with a concrete number of acres potentially destroyed by the storm. Tomorrow's market response to the WASDE could be muted or exacerbated depending on what is released, but the consensus is that while localized reports of destruction may be highlighted, damage may actually be limited in aggregate.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4		129.36 132.91	127.93 130.95	128.59 130.95	128.59 130.01	127.73 137.88	141.66 143.79	141.12 147.73	147.73 156.03	153.42 163.61
Soymeal Delivered Wpg/S.Man	455	455								

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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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