

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 13, 2020

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

US Slaughter

481,000 Wednesday

484,000 Year Ago

Daily Prices

WCB N/A

ISM Formula \$51.12

National \$56.34

Nat'l Cutout Adj \$63.84

Signature 4 \$132.54

BP4/TCP4 \$140.00

OlyWest 2020 \$124.26

HyLife Cash \$141.14

HyLife Cutout \$159.93

BoC Rate (Noon) prev. day
\$1.3254 CAD / \$0.7545 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 mixed this morning. Light volumes in the negotiated cash regions were likely as the USDA's afternoon report on negotiated regions posted no prices citing confidentiality. Only a couple days ago, there was some talk that a few packers were actively in the negotiated markets which sparked some interest in the nearby futures. That activity appears to have been fleeting, however, and markets will have to look elsewhere for sustained support. Formula-based reference prices are mixed with ISM Formula and National down by \$1.34 and \$1.08, respectively while the cutout based National variant is up by \$0.49 USD/cwt. Relative strength in cutout based pricing follows the daily net gain seen in the carcass led by hams with a one-day \$16.49 move to the upside. Relative to last week's price, hams are now 32% higher coming in at \$64.78 USD/cwt but breaking the \$60 mark only a handful of times this year so far. Comparatively large volumes of hams have found their way into China recently amid speculation that the relatively low ham prices have made buying more attractive in export markets. But market watchers are not putting any hopes on continued or consistent sales into China – in fact, the WH Group (Chinese owners of Smithfield Foods) has projected that exports into China will likely decrease in the second half of 2020. This is just one company, mind you, but it does challenge ideas that the country is any desperate need for pork or that traditional economic principles are at play in China today. A weaker export profile combined with large US supplies and a poorer-than-normal domestic demand profile (due to ongoing Covid-19 restrictions) does not put much hope in the idea that cash markets will make a meaningful recovery in the short-to-mid-terms. This morning's Export Sales report showed that physical deliveries were on track with the recent pace coming in at 34,900 MT or 80% above the five-year average which is consistent with the trend going back to May. Of that volume, Mexico was in number one spot with 11,000 MT while China took 9,900 MT in second place. New commitments were less impressive, however. China cancelled 8,000 MT leaving the net weekly total only at 10,481 MT – even if China *did not* cancel, the volume would have only been 18,000 MT and well off the pace seen over the past eight weeks which was see sawing between low and high 30,000 MT levels. Lean hog futures have not really reacted and instead appear to be more influenced by the technicals than anything else at present. The weekly export news was not positive or negative enough to push the trend firmly in one direction or another.

Canadian delivered soymeal prices opened higher this morning. Yield estimates came in higher than expectations on yesterday's WASDE report at 53.3 bpa beating the upper end of the pre-report expectations. Production is estimated to be partially offset by higher demand, but large supplies remain. Ending stocks are estimated to come in at 610 million bu., up from the 425 million bu. estimate in the July report. Weekly exports came in higher than week ago at 1.1 MMT, current marketing year commitments added another 570,000 MT (seasonal) but new marketing year commitments saw another 2.8 MMT mostly from China.

US corn futures opened higher this morning. Like beans, US corn yield was estimated higher than the July report (and analysts' expectations) at 181.8 bpa. The survey number is 3.3 bpa higher than the trend-line estimate that has been used until yesterday. If realized, US farmers could produce a 15.278 billion bu. crop leaving 2.756 billion in ending stocks on the balance sheet. Physical exports almost doubled compared to week ago coming in at 1.33 MMT but, current year commitments were a more modest 377,000 MT with new year commitments likewise shifting lower to 553,100 MT which is seasonal but a departure from the 2.6 MMT see on last week's Export Sales report.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4		125.48 128.99	124.09 129.24	126.90 129.24	126.90 128.31	126.67 136.77	140.52 142.63	140.05 146.61	146.61 154.82	152.12 162.23
Soymeal Delivered Wpg/S.Man	461	461								

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