Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 14, 2020

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

US Slaughter	
482,000	Thursday
478,000	Year Ago
Daily Prices	
WCB	N/A
National	$56.45
Nat'l Cutout Adj	$63.95
Signature 4	$132.43
BP4/TCP4	$140.00
HyLife Cash	$141.03
HyLife Cutout	$159.77
BoC Rate (Noon) *prev. day* $1.3217 CAD / $0.7570 USD	
Cash Prices Week Ending August 15, 2020	
Signature 4	133.39/60.51
h@ms Cash	131.39/59.60
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	140.00/63.50
OlyWest 2020	124.40/56.43
OlyWest 2021 (Cutout)	149.00/67.59
2020 Top-Up (YTD Rolling Est.)	
$19.59 CAD/ckg	
ISO Weans $12.40 US Avg.	
Feeder Pigs $15.47 US Avg.	

Forward contract prices opened higher this morning. *For the second day this week, the USDA did not publish a price in the WCB negotiated region due to confidentiality. This is not terribly uncommon, and it does highlight the ongoing criticisms of using a negotiated price in modern price discovery; if volumes are so low as to identify the parties, it probably isn't a good metric by which to gauge an entire industry. Prices in western Canada are no longer using US negotiated cash prices in determining base values, but a negotiated 'basket' is included in the other models using formulas to construct the reference price. Formula based pricing is higher to finish the week and both National variants (traditional and cutout-adjusted) are $0.11 higher in USD/cwt. Weekly settlement references in USD/cwt revealed more of the same this week with the National region essentially flat relative to last week (only $0.09 higher). Due to the way prices are constructed for cutout-based pricing, weekly values for Neepawa will not be known until later today, but it will likely also be higher compared to previous week and currently on pace to see an approximate $2.00 USD/cwt move higher when calculated later today. Red Deer cutout calculation uses the week prior to construct its price which is why it is published today. In any event, cash markets are still relatively 'flat' and well off the pace normally seen in this marketing week (National is 25% lower). There is no reason for the market to move higher currently; a period of low prices does not invariably mean higher prices are on the horizon, especially this year. There is reasonable expectation that processing capacity limits will be reached this fall once again, and potentially for a longer period of time than has been witnessed in recent history. Processors can usually absorb a week or two of excess live supplies, but current modelling is showing those limits could be reached as early as September. Adding insult to injury is the fact that foodservice and restaurant activity in the USA is nowhere near normal meaning price supports from the meat side (i.e. cutout support) may indeed be weak in the fourth quarter. Lean hog futures continue to trade in a sideways pattern with no fundamental news to spark more buying. Other than Monday, the trade has generally respected conventional technical limits all this week and will likely do so until the news changes significantly. For now, a weaker export sales report released yesterday, thoughts of large supplies, and weak domestic demand are all keeping any upside in check.*

Canadian delivered soymeal prices opened higher this morning. *Nearby US soybean futures are trading mixed on settlement day for the August contract. Next Monday, the nearby will be the September contract. Amid this, the market is attempting to reconcile large production and relatively (recently) large demand in the export market. This week's storm (derecho) across eight states in the US will likely not make too big a dent in the average aggregated production estimates, but it will likely be talked about and reported as regional interest for some time.*

US corn futures opened lower this morning. *US corn futures are lower to finish the week after seeing some support in yesterday's session. The support apparently materialized as a result of short covering or getting out of a short (sell) position meaning traders were buying back contracts. The result is a net buying of contracts thus pushing values higher. The buying spree appears to be over today, however, and the market is trending lower once again. Bearish fundamentals continue to weigh on the trade that has been unable to break out of the mid-$3.20 USD/bu. levels since the middle of April except for the week following the bullish quarterly grain stocks report.*

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4		128.09 131.62	126.76 131.00	128.65 131.00	128.65 130.06	127.90 138.01	141.76 143.88	141.29 147.87	147.87 155.46	152.13 162.22
Soymeal Delivered Wpg/S.Man	462	462								

follow us @hamsmarketing twitter

Some Important Phone Numbers
Main Office: 204-233-4991
Toll Free: 1-800-899-7675
Logistics: 204-235-2225
Risk Management: 204-235-2237

STRENGTH IN NUMBERS
h@ms MARKETING SERVICES