

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 19, 2020

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

Forward contract prices opened mixed this morning. US cash reference markets are higher mid week with WCB up \$0.04, ISM Formula \$0.56 higher and both National reference base prices up \$0.29 USD/cwt. All regional cash trends remain relatively flat, however, and there is no indication that a substantial move to the upside is in the works. Domestic demand further out remains a concern especially as the Covid-19 situation in areas of the USA has not been brought under control. Packers are believed to be operating at current capacity and there is no shortage of pork being produced. The abundance of live supplies still remains ample even if analysts do not agree on the number of hogs backed up on farms. Many market watchers are still commenting on the pork situation in China and suggesting that the production hole due to ASF will keep China active in the global markets. They point to an additional sale of pork from state reserves as proof as well as a recent increase in the 'domestic' prices of hogs and pork in China. The implication, of course, is that US pork producers are poised to reap rewards on stronger demand. To be clear, there is, of course, and without question, a pork production hole in China due to ASF – no argument there. However, numbers from US Customs shows a slowing month over month volume of US pork according to data most recently available and the weekly export sales report last week was decisively less optimistic; new net sales to China fell notably, including a cancellation that may or may not be related to ongoing diplomatic tensions. Tomorrow's export sales report will be closely watched for clues on direction, but if the trend of China committing to less pork remains, markets will have very little reason to break out (higher) from the current trends. Meanwhile, and sliding somewhat under the radar, has been the move in the value of the Canadian dollar since the middle of summer. While forward prices were not particularly good at the end of June/beginning of July, the CAD was approximately 3 cents (USD) lower than the 76-cent value it is trading at today. It means that if the CAD were at today's value in June/July, forward contract prices in CAD/ckg would have been about \$5.60 lower than they were at the time. Looked at another way, today's values would be approximately \$5-\$6 CAD/kg higher if the value of the CAD were trading at levels seen in July. Generally, Canadian dollar movements are less volatile than found in other commodities. Regardless, active hedgers should also consider currency trends when assessing value.

Canadian delivered soymeal prices opened even this morning. A very good crop is potentially on the way if the current observations from the Pro Farmer Crop Tour are any indication. Average pod counts are coming in at the high 1200s compared to last year's 1210 and 920 counts for Nebraska and Indiana, respectively, so far. The story could change as the tour moves into Iowa where derecho damage was worse than seen in other states. In the meantime, US bean futures are trading at highs not seen since February/March on expectations of stronger demand from China and potentially some derecho damage being pricing in as well.

US corn futures opened lower this morning. Officials in Iowa are suggesting that much of the state's corn crop will likely not be harvested due to the high-wind derecho that ripped across eight states and levelled corn fields on August 10. While the damage was severe in certain areas, it was not consistent across all states. Current estimates on the potential impact to production remains under debate coming in between a wide 150 million and 500 million bushels. Pro Farmer Crop Tour currently reports above trend-line and USDA yield estimates in the fields visited so far. But the tour has yet to hit the hardest of hit areas.

US Slaughter	
483,000	Tuesday
482,000	Year Ago
Daily Prices	
WCB	\$37.82
National	\$58.27
Nat'l Cutout Adj	\$65.77
Signature 4	\$136.21
BP4/TCP4	\$140.00
HyLife Cash	\$145.06
HyLife Cutout	\$163.73
BoC Rate (Noon) prev. day \$1.3170 CAD / \$0.7593 USD	
Cash Prices Week Ending	
August 15, 2020	
Signature 4	133.39/60.51
h@ms Cash	131.39/59.60
HyLife Cash	142.49/64.63
HyLife Cutout	160.01/72.58
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/kg	
ISO Weans \$13.97 US Avg.	
Feeder Pigs \$18.04 US Avg.	

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4		125.47 126.87	124.07 128.20	125.86 128.20	125.86 127.26	125.63 137.03	140.76 142.86	141.53 148.06	148.06 155.88	153.43 163.46
Soymeal Delivered Wpg/S.Man	467	467								

This bulletin is intended as a marketing tool for subscribed members only. Prices are not quotes and all pricing is subject to verification. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

follow us @hamsmarketing


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