Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 20, 2020

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

US Slaughter	
484,000	Wednesday
480,000	Year Ago

Daily Prices	
WCB	$40.49
National	$53.88
Nat'l Cutout Adj	$65.90
Signature 4	$136.52
BP4/TCP4	$140.00
HyLife Cash	$144.97
HyLife Cutout	$163.59

BoC Rate (Noon) *prev. day*
$1.3171 CAD / $0.7592 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/ckg

ISO Weans $13.97 US Avg.

Feeder Pigs $18.04 US Avg.

Forward contract prices opened higher this morning. *A new one-day slaughter record of 483,000 head (after Covid-19 disruptions) on Tuesday was followed up yesterday with an estimated 484,000 hogs. If the plants can maintain a rate over 480,000 for the next two days, and a Saturday shift over 210,000, the market will potentially be looking at its first 2.6 million plus processed week since just before the impacts of Covid-19 disruption were felt. This is an entirely possible scenario suggesting that packers are aggressively working through the backlog of hogs of which the number is under debate. It could also mean the backlog of animals on farms may not be as large as first thought observing weights have come down by a notable amount since May suggesting producers are more 'current' than what was to be expected. It could also just mean that the weight suppression methods undertaken by US producers are starting to work their way through the data. To be clear, there were animals backed up on farms at the height of the disruption. But it appears that while a combination of large Saturday numbers, alternative marketing arrangements, euthanasia, 'locker' utilization, maintenance diets, and other resourceful strategies have made an impact, these strategies have also clouded the picture. Prices remain low suggesting there is still an abundance of live supplies. But the notably higher WCB price today (+$2.67 USD/cwt) combined with the large slaughter numbers could be supportive in the short term. That is not to say an immediate rally is on the horizon and while processing capacity remains good, there are still concerns that the current capacity limits will be reached in the fall of this year. But nearby lean hog futures appeared to respond this morning, gapping higher at the open and levelling off about $3.00 USD/cwt higher than yesterday's close. The extent to which the support can be maintained remains to be seen. This morning's export sales report was just 'ok' – physical deliveries were once again hovering in the low 30,000 MT area and higher than the five-year average by 63% (which has been the recent trend), but also 9% lower than last week. Bulls will point to new commitments coming in 97% higher than last week but context is important. The increase came off a prior weekly low and this week's 20,600 MT is still 5% lower than the five-year average – while China did commit to a net gain, they also cancelled 6,500 MT following a 8,000 MT cancellation last week. Markets will need to see much more positive demand signals to mount a consistent and sustained move higher.*

Canadian delivered soymeal prices opened lower this morning. *The Export Sales report for week ending August 13 showed while physical deliveries were 30% higher than the five-year average, they were also entirely within the typical seasonal trend and 19% lower than last week. New net sales were net *negative* for the week and well below all benchmarks but it should be noted that this is a typical pattern seen at this time of year especially with only a couple weeks left in the current marketing year. New marketing year net sales were once again above 2.5 MMT but will drop off when 'new marketing year' becomes 'current marketing year' in a couple weeks.*

US corn futures opened lower this morning. *Like beans, the current and new marketing year cutoffs are approaching and while market watchers were hoping for some more bullish numbers, the end of the current marketing year is looking very typical. Net sales for CMY are trending lower heading into the end of the crop year. For US corn, NMY volumes were disappointing coming in at only 723,300 MT and well off the 2+ MMT weekly commitments seen recently. Physical deliveries were better than the five-year average benchmark but 10% lower than week ago at 1.2 MMT and mirroring a seasonal trend.*

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4		135.48 136.88	134.03 135.21	132.74 135.09	132.74 134.15	130.17 140.26	144.02 146.13	143.67 150.24	150.24 157.53	154.90 164.97
Soymeal Delivered Wpg/S.Man	463	463								

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