

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 21, 2020

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

Forward contract prices opened lower this morning. Daily US cash reference markets are mixed to finish the week but not diverging much from the recent trends; all regions we monitor did not post a daily price wider than \$0.30 USD/cwt in either direction relative to the previous day. Weekly US cash base prices using a Friday to Thursday reference period for week ending August 22 are higher compared to week ago and maintaining a modest tack higher from the lows seen in mid-June. The negotiated WCB region is approximately 36% higher while the traditional National base is up by ~15% relative to the June lows. The weekly National cutout-adjusted price will be calculated later this morning following the publication of USDA data as the cutout-adjusted base price for delivery to Neepawa uses a Monday to Friday reference period (so does Red Deer, but the base formula is different and they also use the prior week's data creating the appearance of a 'lag' despite calculating the weekly price earlier than everyone else). The National cutout-adjusted base is expected to also come in higher than week ago, mirroring the trends in the other regions. Regardless of the recent trend higher, however, US base pricing is still off the pace normally seen at this time of year – WCB is 35% lower, National is 18% lower, and the National cutout-adjusted price will likely come in lower by approximately 10% for the comparable three-year average for this marketing week. Lean hog futures have moderated this morning but are holding at the values established yesterday. The October contract made an almost \$3.00 USD/cwt move higher by the close yesterday representing the single largest daily gain since August 10. While the contract is still trading with a bias higher this morning, follow through has not been as intense as seen yesterday - the deferreds past May are trading lower. Technical resistance levels are being approached today and there is no fundamental news to push beyond the market beyond technical limits. Forward contracting opportunities today, are slightly better than last week but values remain under benchmarks. As of this writing, the remainder 2020 contracts (October and December) are, on average, 8% lower than the five-year cash average (a metric used to assess value) while the 2021 offerings out to June for qualified programs is sitting 4% below the benchmark. Despite this, some individual months are 'beating' monthly historical cash lows depending on the program and the timeframe observed.

Canadian delivered soymeal prices opened even this morning. The Pro Farmer Crop Tour has essentially suggested that a big crop could be on the way but qualify that assessment by asserting timely rains will be needed to ensure a strong finish. Some hot, dry weather is being monitored, but other than regional issues, no widespread damage due to lack of moisture is being projected today, at least not damaging enough to impact national production. Derecho damage has been limited in beans for the most part but there are some farms that will face severe losses this year as a result of the storm that passed through on August 10.

US corn futures opened lower this morning. The US corn crop was affected more so than beans when discussing last week's derecho. Factoring in the windstorm and regional dryness, Iowa's corn yield has been estimated by the Pro Farmer Crop Tour to come in at 177.8 bpa against last year's 182.8 bpa and the USDA's current 181.8 bpa. Derecho damage in aggregate remains largely unknown at this time with estimates ranging between 150 million and 500 million acres potentially impacted.

US Slaughter	
481,000	Thursday
483,000	Year Ago
Daily Prices	
WCB	\$40.57
National	\$58.69
Nat'l Cutout Adj	\$66.19
Signature 4	\$137.47
BP4/TCP4	\$140.00
HyLife Cash	\$145.72
HyLife Cutout	\$164.34
BoC Rate (Noon) prev. day \$1.3195 CAD / \$0.7580 USD	
Cash Prices Week Ending August 22, 2020	
Signature 4	136.26/61.81
h@ms Cash	134.36/60.90
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	140.00/63.50
OlyWest 2020	127.30/57.74
OlyWest 2021 (Cutout)	153.90/69.81
2020 Top-Up (YTD Rolling Est.) \$19.64 CAD/ckg	
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		135.13 136.53	133.66 135.31	132.96 135.31	132.96 134.37	129.29 139.34	143.08 145.18	142.73 149.27	149.27 157.03	154.18 164.23
Soymeal Delivered Wpg/S.Man	463	463								

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