

# Hog Margin Outlook

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Monday, August 24, 2020

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## US Slaughter

2.618 mil. Last Week  
2.531 mil. Year Ago

## Daily Prices

WCB	\$41.84
National	\$58.84
Nat'l Cutout Adj	\$66.15
Signature 4	\$137.92
BP4/TCP4	\$140.00
HyLife Cash	\$146.35
HyLife Cutout	\$164.55

**BoC Rate (Noon) prev. day**  
\$1.3205 CAD / \$0.7573 USD

## Cash Prices Week Ending

August 29, 2020

Signature 4	136.26/61.81
h@ms Cash	134.36/60.90
HyLife Cash	145.38/65.94
HyLife Cutout	163.95/74.37
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 \$14.75 US Avg.

Feeder Pigs \$20.42 US Avg.

**Forward contract prices opened mixed this morning.** US cash reference markets are mixed but showing a slight bias to the upside to start the week. Daily reference prices were higher in three of the four regions monitored - only the National cutout-adjusted reference price was lower, albeit by a modest \$0.04 USD/cwt. Weekly and daily price trends have remained relatively flat since the beginning of August after lifting off the lows witnessed in June/July. Cutout-adjusted pricing has seen the greatest increase compared to the other reference regions, but this is expected as the value of the carcass has also seen an improvement over the same time. Weekly slaughter levels came in at 2.618 million head and the first time the weekly kill was over 2.6 million since week ending June 27. There are thoughts that the 'new normal' in a Covid-19 operating environment could be near 2.6 million so subsequent slaughter levels will be watched very closely as there is no certainty on the present processing capacity limit. Processing limit heading into the fall will be key - previous to Covid-19, slaughter capacity was estimated to be around 2.749 million head per week meaning if the USDA's projection on live supplies is correct, capacity maximums could be reached in the last six weeks of the year. A reduced capacity to 2.6 million head, however, could bump up the timing of reaching limits by a couple months with the earliest challenges surfacing as early as in about a month's time. If demand is weak at the same time processing capacity limits are reached, no pricing formula, cutout-adjusted or otherwise, will be immune to the pressure that will be the likely result. Lean hog futures are notably higher in the early morins session with the nearbys seeing the most strength. A combination of a higher October contract and a Canadian dollar that is trending lower has added about \$3.00 CAD/ckg to the value of forward contract base values at the open in the front month weeks. The trade has a bullish tone or 'feel' to it, albeit a modest one, but while the nearby contracts have generally been trending upward since the beginning of the month, they have not reached the 'highs' seen in June. Deferreds have seen a much 'flatter' profile. The net result are forward contracts that are only modestly higher today when averaged out. In the absence of significant fundamental news to push the market in either direction, much of the daily activity will likely be influenced by the technicals, and major moves to the upside, while not impossible, are not expected in the short to mid-terms. The cold storage report released later today could provide some rationale for repositioning.

## Canadian delivered soymeal prices opened lower this morning.

US soybean futures are higher to start the week after backing off from the recent support seen near the end of last week. The Pro Farmer Crop Tour has backed average yield off by 0.8 bpa with their estimate now sitting at 52.5 bpa. If this assessment is realized, it will have the impact of taking 63 million bu. off the supply side of the balance sheet. The Crop Progress report will be released later today with the market generally expecting a decline in the good to excellent category of around 2%.

## US corn futures opened higher this morning.

Like beans, US corn futures are showing a bit of support to start the week but unlike beans, US corn is nowhere near any high, either looking back in the short or longer terms. US corn continues to struggle with demand from any channel, but the wider-spread damage in Iowa due to derecho combined with some dryness in the same region is providing some support on the supply side. Now, the US corn crop is still expected to be a large one, but yield estimates are now estimated by the Pro Farmer Crop Tour to be around 177.5 bpa, a 4.3 bpa cut to previous estimates that could trim

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4			133.17 135.00	132.66 135.00	132.66 134.06	129.87 139.93	143.68 145.78	143.28 149.83	149.83 157.58	154.70 164.76
Soymeal Delivered Wpg/S.Man	457	457								

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