

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 26, 2020

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

Forward contract prices opened mixed this morning. US cash reference markets continue to trend higher mid-week with all base pricing up relative to the previous day. The WCB negotiated region has so far seen the largest gain this week with the daily price now \$3.39 USD/cwt higher than last week's settlement base. If the trend continues, negotiated regions could be among their highest prices so far this summer and at levels not seen since the end of April when the weekly price is calculated later this week. Formula regions are seeing more modest strength but mirroring a similar trend. The daily prices for National and the National cutout-adjusted base is \$1.63 and \$1.29 USD/cwt higher than last week's settlement reference price today, respectively. The base price used in Red Deer, which is a modified USDA cash and cutout formula, is already calculated for the week and revealing a \$1.54 shift upward relative to the previous week. Trend analysis shows a clear, albeit relatively modest, upward momentums in all regions that began near the end of June and early July but the extent to which this trajectory can remain in place is very much under question. Setting aside the debate if there are large numbers of hogs backed up on farms or not, if the USDA's Hogs and Pigs report is any indication (and their estimates are usually quite good all things considered), processing capacity limits could be reached as early as late September if Covid-19 plant processing restrictions remain in place. Even at full capacity, production limits could be reached this year near the end of November. And while all cash markets have seen some strength return, all market watchers should take note that prices are still at lows for this time of year in most of the reporting regions monitored (only 2018 was lower 'this week'). Producers may also note the drop in the value of forward contracts this morning relative to yesterday's *closing* values. The reason for this, however, has more to do with a jump in the value of the Canadian dollar rather than any loss in value in the hog futures. Yes, lean hog futures are mixed this morning, and backed off from yesterday's high in the early morning trade, but the brunt of the decrease in forward contracts at the open in CAD/kg is a result of an approximate 30-cent jump in the CAD relative to yesterday's close. Regardless, lean hog futures remain relatively range bound and upside under the present marketing conditions appears limited today. They could move higher, but a 'rally' is likely not in the works until the fundamental news changes significantly.

Canadian delivered soymeal prices opened lower this morning. US soybean futures continue to trade higher for the second session in a row this week with the market focussed on ongoing dryness concerns in some key growing areas, derecho damage, (although damage to soybean crops was not nearly as pronounced as seen in corn), and ideas that China buyers continue to make purchases in the US market. Limiting the upside, however, are ideas that even with reduced yields, the new crop could still come in with over 500 million bu. in ending stocks which is a relatively large number and certainly not stressful on the market.

US corn futures opened mixed this morning. The nearby US corn futures contract initially moved lower just after the open but is trading higher as of this writing. The September contract is now at \$3.40 USD/bu representing the highest value seen since early July. Derecho damage was much more widespread for US corn crops and now dryness concerns are adding to the pressure on yield estimates. As mentioned yesterday, the largest corn producing state, Iowa, has seen the percentage of the crop in good excellent condition dropped to 50%. But an already quite large 2+ billion bu. carryout estimate will keep upsides in check for now.

US Slaughter	
484,000	Tuesday
462,000	Year Ago
Daily Prices	
WCB	\$42.26
National	\$59.79
Nat'l Cutout Adj	\$67.29
Signature 4	\$140.03
BP4/TCP4	\$140.00
HyLife Cash	\$148.86
HyLife Cutout	\$167.53
BoC Rate (Noon) prev. day	
\$1.3194 CAD / \$0.7580 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/kg	
ISO Weans \$14.75 US Avg.	
Feeder Pigs \$20.42 US Avg.	

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4			133.25 135.46	133.13 135.46	133.13 134.53	130.21 140.25	143.98 146.08	143.17 149.70	149.70 157.79	154.71 164.77
Soymeal Delivered Wpg/S.Man	458	458								

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