

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 27, 2020

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

US Slaughter	
482,000	Wednesday
489,000	Year Ago
Daily Prices	
WCB	\$42.59
National	\$59.50
Nat'l Cutout Adj	\$64.71
Signature 4	\$138.93
BP4/TCP4	\$140.00
HyLife Cash	\$147.98
HyLife Cutout	\$160.94
BoC Rate (Noon) prev. day \$1.3155 CAD / \$0.7601 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 with the negotiated WCB region up \$0.33 USD/cwt, the ISM Formula coming in \$0.29 lower, National down by a quarter, and the National cutout-adjusted variant down \$2.58 USD/cwt on some weakness in the value of the pork cutout. Yesterday's report showed all cuts except butts were weaker than previous day for a net \$2.91 loss, led by ribs which saw a decrease of \$13.32. Now, ribs do not make up a large percentage of the value of the carcass, but they are typically a 'higher priced' cut meaning a double-digit loss in one day will have an impact. This morning's export sales report revealed more of the same for export disappearance metrics showing 32,600 MT of physical deliveries were made to all markets with Mexico taking 9,900 MT and China taking 9,500 MT representing ~60% of volume delivered to all export markets. While the numbers are technically better than last week (up 2.4%), last year (up 33.4%), and the five-year average (up 84.2% (!)), it is still reflecting the recent trend going back to June which is in fact at a lower pace than seen at the beginning of the year. New commitments reveal a similar story, coming in notably higher than benchmarks but still tacking along the recent trend. Optimists will point out that the new committed volume is 91.4% higher than week ago, but context it important; last week, new commitments were lower than trendline by a third (following the previous week that was lower than trendline by two thirds), so the week over week improvement merely brings the numbers back in line with the pattern seen at beginning of summer. While China did take 11,200 MT in new commitments this week, they also cancelled a small amount which follows cancellations of even more in the previous two weeks totaling almost 15,000 in cancellations in the past three weeks. In order for prices to be supported, it will be vitally important for good demand from all disappearance channels including the export market. In other words, while today's report revealed generally good numbers, the export pace cannot fall behind like it had in the two weeks prior if markets are to make a move higher.

Canadian delivered soymeal prices opened higher this morning. In this morning's Weekly Export Sales report, the USDA noted that "Net sales of 50,400 MT ...were down noticeably from the previous week and down 82 percent from the prior 4-week average". This is absolutely true. However, it is also completely in line with normal seasonality. The end of the marketing year typically reveals some low numbers and this year is no different. Net sales in this marketing week are typically very low and even negative for new commitments so this is unsurprising. Physical deliveries were higher than week ago coming in at 1.28 MMT. New marketing year sales were likewise above 1 MMT coming in at 1.87 MMT and a better reflection of demand for US beans.

US corn futures opened higher this morning. Like beans, end of the marketing year numbers revealed very low volumes because, of course, there is no more time to put 'current' marketing year commitments on the books. Physical deliveries were lower than previous week, coming in at 939,000 MT which was down 22% relative to the previous week. It was 16% higher than the five-year average, however, and completely within historical, seasonal ranges. New marketing year commitments were not as high as the 2+ MMT commitments seen a couple weeks ago but still came in above 1.18 MMT which is a bit ahead of when the really big volumes typically show up in a couple weeks.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4			132.29 134.62	132.29 134.62	132.29 133.69	130.19 140.21	143.94 146.03	143.29 149.81	149.81 157.81	154.85 164.89
Soymeal Delivered Wpg/S.Man	464	464								

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