

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, August 31, 2020

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

## US Slaughter

2.664 mil..	Last Week
2.468 mil.	Year Ago

## Daily Prices

WCB	\$42.75
National	\$59.55
Nat'l Cutout Adj	\$64.25
Signature 4	\$138.45
BP4/TCP4	\$140.00
HyLife Cash	\$147.38
HyLife Cutout	\$159.01

**BoC Rate (Noon) prev. day**  
\$1.3097 CAD / \$0.7640 USD

## Cash Prices Week Ending

August 29, 2020

Signature 4	139.21/63.15
h@ms Cash	137.21/62.24
HyLife Cash	148.19/67.22
HyLife Cutout	163.15/74.00
BP4/TCP4	140.00/63.50
OlyWest 2020	131.20/59.51
OlyWest 2021 (Cutout)	157.40/71.40

**2020 Top-Up (YTD Rolling Est.)**

\$19.61 CAD/ckg

ISO Weans \$18.57 US Avg.

Feeder Pigs \$23.49 US Avg.

**Forward contract prices opened higher this morning.** Ongoing softness, or a 'leveling out' in the value of the pork cutout and large weekly slaughter levels continues to exacerbate the disconnect between formula pricing and the negotiated regions such as the WCB. This morning's daily reference markets show the WCB is seeing an increase in bids, up another \$1.43 USD/cwt relative to the previous day while negotiated reference prices are all lower. The exceptional slaughter levels seen recently could, in part, explain some of the support. Last week, weekly kill was estimated at 2.664 million head, a level not seen since last March which included the highest Saturday numbers (276,000) going back to mid-July when packers were aggressively working through backed-up hogs due to earlier Covid-19 plant disruptions. Meanwhile, the net value of the carcass is down \$1.55 week over week and the daily report has so far shown a drop of \$1.70 relative to the weekly price placing it once again amid historical lows. The influence is predominantly coming from the ham primal that has seen an ~15% week over week drop (\$10.02 USD/cwt) and another one day move lower by \$7.11. The net result is a ham value that is at the lowest value for the cut in this marketing week since the new report was reformatted in 2013. Cheap hams could provide incentive for export partners to start committing to more purchases, but China has been an inconsistent customer and there is talk that Mexico volumes (typically the number one export destination for US hams) have been light compared to history. In any event, the lower value of the carcass has pressured the National region \$0.75 lower this morning while the cutout-adjusted variant, which will be more sensitive to moves in the value of the cutout, is down by \$1.25 USD/cwt. Lean hog futures are mixed to start the week with the nearbys making modest gains on the losses seen on Friday. Pressuring forward contract prices in Canadian dollars further is strength in the CAD that continues to see incremental support and is now trading at levels not seen since January at 76 cents. The CAD has gained approximately 3 cents since June representing a loss in forward contract value by about \$6.00 CAD/ckg. Canadian dollar trends remain highly speculative today and intensified volatility could materialize approaching and well after the US election in November. Some producers may wish to consider currency volatility in their outlooks, hedging plans, and strategies.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures gapped higher at the open but has backed off in the morning session. The market is currently being driven by a host of weather concerns which includes derecho damage, drought-like conditions due to prolonged August heat this summer in some areas, and now, a realistic frost threat by mid-September. The big issue, however, appears to be the dry conditions that are present during the important pod-filling stage. Ongoing purchases by China could add to the support on the demand side. For now, ending stocks estimates remain relatively high, but a reduction in production and continued export activity could provide support.

**US corn futures opened mixed this morning.** US corn futures crept higher last week on ongoing production concerns due to drought like conditions and derecho damage which was much more pronounced for corn growers. This morning saw some continued follow-through buying but the market tipped into an overbought condition, has reversed course, and is now trading lower as of this writing. The trade is expected to level off around the \$3.50 USD/bu. level as the market is now in an oversold condition, i.e. representing an overcorrection from overbought levels seen earlier this morning. Markets will likely remain choppy and driven by headlines until the USDA updates estimates in about two weeks' time.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig 4			127.97 132.14	129.82 132.14	129.82 131.21	127.59 137.54	141.24 143.32	140.73 147.21	147.21 155.49	153.10 163.09
Soymeal Delivered Wpg/S.Man	472	472								

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