

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 1, 2020

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

US Slaughter

486,000 Monday
2,000 Year Ago

Daily Prices

WCB \$42.77
National \$59.26
Nat'l Cutout Adj \$65.36
Signature 4 \$137.18
BP4/TCP4 \$140.00
HyLife Cash \$146.65
HyLife Cutout \$161.35

BoC Rate (Noon) prev. day
\$1.3042 CAD / \$0.7670 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 mixed this morning. US cash reference markets are mixed but maintaining a sideways pattern that has been seen over the past couple weeks. Cash prices have moved incrementally higher since the end of June and daily moves have witnessed some see-sawing, but when the weekly average base prices are calculated, they have not seen much variability week over week. The rising trend in the cash markets since the lows in June and July has brought pricing levels today withing typical seasonality, at least enough that it does not completely destroy the models. Although the WCB is still double-digit percentages below seasonal (17%) the National base is only 7% lower than the three-year average for this marketing week. Cutout-based prices are even closer when comparing today's values with the reverse engineered three-year average; National cutout adjusted is 2% lower and the USDA cutout formula (Red Deer's cutout adjusted base) is statistically equal (5 cents up for a +0.0008% change). Because prices are moving closer to typical values, we can contextualize today's values with history. The trend 'from here' has typically been for National to remain flat (-0.001% average change) compared to the lowest valued marketing week of the fall (first week in December, on average) while Nat'l cutout-adjusted and USDA cutout formula see slight increases over the same timeframe by 2% and 6%, respectively. What these trends show is that in a *normal* marketing year, prices do not raise by all that much even with increased demand heading into the US holiday season. Cutout adjusted base pricing moves slightly higher, but the shift is moderate. The point is that producers on both sides of the border should likely manage expectations of much higher pricing from current levels under present marketing conditions heading into the autumn. The fact that current prices are near historical benchmarks allows us the opportunity to speculate a little more than was possible even a couple weeks ago. Again, in a normal marketing year, prices do not rise much over the next couple months, and this year's market is facing pressure from some softness in restaurant and foodservice at the same time live supplies start to become more plentiful. A reduced processing capacity (there is talk the industry has reached or is very near processing capacity today) will keep any cash rallies in check. If there is no backup of hogs (and we are of the view there are some) and producers are current, prices are not rationalized to move much beyond current levels. If there is a backup and processing capacity limits are reached, prices *could* move lower from here. None of this is certain, but it should always be considered as there is no solid evidence today of a supply hole due to Covid-19 culls or eutanasia. When new information and evidence appears, we will adjust our opinion appropriately.

Canadian delivered soymeal prices opened even this morning.

The new marketing year starts today but Thursday's export sales report will still reflect old crop information as the report is lagged by a week and will report for week ending August 27. Yesterday's Crop Progress report showed beans dropped another 3% to 66% in good/excellent condition which was in line with pre-report expectations. Private ending stocks estimates have moved lower from record large and beans today are trading near the 'high' levels last seen in January.

US corn futures opened mixed this morning.

US corn futures continue to be unable to break current resistance limits and are trading lower today after reaching the \$3.50 bu. mark. Yesterday's Crop Progress report showed US corn in good/excellent condition at 62% and reflecting a 2% drop from previous week. The drops in rating are pushing yield estimates lower and like beans, what was once estimated to be a record crop is now facing some pressure today. Regardless, US corn is struggling to get much beyond current values due to ongoing demand concerns.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig 4		128.84 131.15	129.07 131.15	129.07 130.46	128.60 138.36	141.83 143.92	142.48 149.66	149.20 157.47	153.93 163.88	167.59 175.92
Soymeal Delivered Wpg/S.Man	472									

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h@ms Marketing Services will be closed

Monday, September 7 for Labour Day. Forward contracting will be suspended and the HMO and Opening Price information will not be published.

Normal business resumes on Tuesday, September 8.