

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 2, 2020

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

US Slaughter

480,000 Tuesday
475,000 Year Ago

Daily Prices

WCB \$42.51
National \$59.84
Nat'l Cutout Adj \$67.09
Signature 4 \$138.66
BP4/TCP4 \$140.00
HyLife Cash \$147.10
HyLife Cutout \$164.93

BoC Rate (Noon) prev. day
\$1.3055 CAD / \$0.7660 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 markets are mixed mid-week with the negotiated regions backing off the recent trend while the formula-based regions are seeing some support today. On balance, the daily changes do not represent a significant shift in market sentiment. Cash levels in all regions are 'levelling off' with no real bias higher or lower today. Over the past couple weeks, as many 'up days' have essentially been matched with 'down days' for a slightly sloping upward trend as a net result. While cutout-based pricing is statistically equal with the three-year average for this marketing week today (when reverse engineered to conduct the analysis), the National region is still down by about 6% while the WCB is 17% lower than benchmarks. The debate on current-ness and the extent of hogs backed up on farms continues to make the rounds. Some market watchers point to the lowering weights as evidence of being current. While weights are indeed 0.8% lower than year ago today on average, others suggest that maintenance diets and the relatively rapid increase in plant utilization explains some of the difference. In any case, there is no solid evidence other than personal observations from the 'field' that any analyst or market watcher can point to as proof for excessive animal back-ups or not. The debate will likely continue and there are no shortage of opinions on the matter. Presently, we are of the view that there are hogs backed up although they are likely being worked through quicker than anticipated earlier. In any event, even with the current level of culled sows, there are still a lot of hogs expected to be coming to market in the fall, and those hogs may run into processing issues if the number of hogs exceeds plant processing capacity. We also subscribe to this notion and expect the industry to bump up against capacity limits at some point this year; the only questions are when, and to what extent will the issue present itself. The market will have much better information to work from when the Quarterly Hogs and Pigs report is released later this month. This report could be a market mover if surprises materialize – the report will be released on Thursday, September 24 after the market closes and Friday, September 25 could see some volatility. In the meantime, futures continue to trade in a sideways and very technically bound trading pattern. That is to say, there is very little fundamental news to push the market beyond the recently established ranges. Like cash markets, futures have been down one day and up the next but still residing amid seasonal lows. The September Quarterly Hogs and Pigs report will be one of the most anticipated reports in recent memory and is only three and a half weeks away.

Canadian delivered soymeal prices opened lower this morning.

The US soybean market has consolidated at current levels for now with the nearby contract trading in the mid \$9.50s USD/bu. The trade generally accepts lower yields and production will be realized as a result of dry August weather and some derecho damage but there has not been enough bad news to push the market higher on the supply side. On the demand side, continued China buying is still making the daily 'flash' reports, but the market will have to wait for another week to see how it compares to year ago as the weekly Export Sales report is lagged by a week and the switch from new marketing year to current marketing year will not be revealed until Thursday, September 10.

US corn futures opened lower this morning.

Like beans, US corn futures are seeing support on lowering yield expectations and derecho damage but unlike beans, the market is no where near the highs. The nearby contract continues to trade under the \$3.50 USD/bu level which is on par with the 'higher' values seen in early July but well off the \$4.40 value seen last year. Demand continues to be a struggle for the trade.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig 4		131.14 132.07	129.82 131.91	129.82 131.21	128.65 138.41	141.89 143.98	142.59 149.79	149.32 157.27	153.87 163.83	167.53 175.87
Soymeal Delivered Wpg/S.Man	471									

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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.