Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, September 3, 2020

h@ms MARKETING SERVICES

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

US Slaughter	
480,000	Wednesday
488,000	Year Ago
Daily Prices	
WCB	$44.87
National	$60.39
Nat'l Cutout Adj	$66.16
Signature 4	$140.06
BP4/TCP4	$140.00
HyLife Cash	$148.60
HyLife Cutout	$162.81
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 higher this morning. *While US cash reference markets are mixed today, daily prices are still higher than the weekly cash settlement values relative to the previous week. In other words, the trend, for now, remains biased to the upside. The WCB made a relatively large one-day $2.36 USD/cwt. gain adding some support to the claim that pigs are not necessarily backed up to numbers as high as first estimated. There really is no way to determine the number of hogs that were backed up or how quickly those hogs were processed when plants returned to slaughtering, but price action today suggests packers need to bid more aggressively in negotiated markets to secure supplies not on a contract. Ongoing softness in the value of the cutout influenced cutout-adjusted base levels lower, but some strength in the National region pushed the daily value above $60 USD/cwt, and if the trend continues, and the weekly base comes in above $60 this week, it would be the first time eclipsing that level since marketing week 23 or week ending June 6. The nearby lean hog futures made an impressive move higher this morning, gaining support from the weekly Export Sales report that showed new commitments of pork at 53,600 MT, notably higher than week ago and about 25,000 MT more than the typical weekly average seen over the summer. Of that, China took 28,700 MT which by itself is a larger volume than seen in some reports to all regions in one week. Now, new commitments are not physical sales per se and there is always a bit of skepticism when speaking about China and 'commitments' (especially during prickly diplomatic instances), but almost no one thinks China will cancel these orders today. As well, China has released 520,000 MT of pork from state reserves year to date, and the idea that China needs protein is just as true today as it was when ASF started to really impact hog supplies. However, follow-through buying in subsequent reports will be key. China is also known to make 'one off' large purchases from time to time and there is not guarantee this is the start of a new trend. They have also been attempting to manage the issue more internally and are not taking large volumes from any one nation – Spain and the USA have been recently jockeying for first place in terms of pork volume going into China and they have diversified their purchasing. If this is a new trend, though, volumes at these levels will be supportive. Physical deliveries remain at recent trend levels coming in at 32,500 MT. The volume was only 100 MT lower than week ago but 84% higher than the five-year average which has been the trend since the end of May. Futures are mixed as of this writing, but blended forward contracts are net higher this morning.*

Canadian delivered soymeal prices opened higher this morning. *New net sales of US soybeans came in at 83,000 MT which would normally be considered disappointing, but this morning's Export Sales Report reflects commitments for the last week in the marketing year and low volumes at this time are entirely normal. The trade will be looking for large volumes next week as is also typical behavior at this time of year. Physical deliveries are likewise seasonal, coming in at 878,900 MT and entirely within the trendline range – the five-year average for deliveries in this marketing week is 812,000 MT.*

US corn futures opened lower this morning. *Like beans, current marketing year net commitments are seasonally lower as the market moves into the next marketing year. In any other week, the 95,700 MT would be considered disappointing, but this is entirely typical for marketing year transitions. Physical deliveries, however, were considered disappointing, coming in at 464,200 MT and about 50% lower than the five-year average for this marketing week. Physical deliveries are not impacted by marketing year accounting so the drop from the average of 1.156 MMT over the past three weeks is pressuring the trade.*

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig 4		136.34 138.02	134.25 136.34	134.25 135.65	130.43 140.16	143.63 145.71	143.51 150.69	150.23 158.85	155.02 164.99	168.70 177.05
Soymeal Delivered Wpg/S.Man	473									

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.