

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 4, 2020

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

US Slaughter

480,000 Thursday
466,000 Year Ago

Daily Prices

WCB \$46.32
National \$60.85
Nat'l Cutout Adj \$68.35
Signature 4 \$141.74
BP4/TCP4 \$140.00
HyLife Cash \$149.89
HyLife Cutout \$168.36

BoC Rate (Noon) prev. day
\$1.3123 CAD / \$0.7620 USD

Cash Prices Week Ending September 5, 2020

Signature 4 139.22/63.15
h@ms Cash 137.22/62.24
HyLife Cash 147.97/67.12
HyLife Cutout 164.36/74.55
BP4/TCP4 140.00/63.50
OlyWest 2020 133.40/60.51
OlyWest 2021 (Cutout) 156.50/70.99

2020 Top-Up (YTD Rolling Est.)
\$19.54 CAD/ckg

ISO Weans \$18.57 US Avg.

Feeder Pigs \$23.49 US Avg.

Forward contract prices opened higher this morning. US cash markets are higher to finish the week with all regions posting gains relative to the previous day. A one-day jump of \$6.68 in the net value of the carcass (now valued at over \$80 for the first time since the beginning of June) nudged the daily cutout-adjusted prices higher with the National cutout-adjusted base moving \$2.19 USD/cwt compared to the prior day. Weekly settlement base prices for week ending September 5, meanwhile, are flat-to-higher compared to the previous week. On talk of more aggressive negotiated cash bidding, the WCB is up by \$1.80 for the week. Formula regions are seeing less support with National up \$0.47, National cutout-adjusted \$0.48 higher, and the USDA cutout-adjusted lower by \$0.21 USD/cwt. Formula regions are relatively flat compared to the previous marketing week and the WCB, while seeing the trend move incrementally higher, is still residing amid historical lows with only 2018 seeing lower values. The nearby lean hog futures contract gapped higher at the open and immediately backed off from the support; it has since started to retrace back to the higher levels seen in the early morning session and the remaining futures are holding at values after the support seen yesterday. There is enough anecdotal evidence making the rounds to influence speculators who think the backup of hogs is not as bad as first thought. Evidence from the USDA and others using their data are having a harder time reaching that conclusion as there most certainly were hogs backing up on farms only a few months ago. Could the majority of that backup be worked through already? That is *one opinion* being put forth, but we are hard pressed to say there is no backup per se with the current information available. Yesterday's Export Sales report is adding to the supportive tone with new commitments coming in about 25,000 MT higher than the recent trend for the week. If the volumes maintain themselves at this level, it would be supportive, but the market should be seeing more support in the deferred contracts as delivery is not immediate. In sum, there is still a lot of uncertainty in the marketplace and the support this week could represent a conservative hedging opportunity for active risk managers. Futures markets could move higher from present levels on speculation, but cash support will be contingent on follow through export activity, no backup of hogs, and a slaughter capacity that continues to exceed live supplies. In short, the support seen at the end of this week may be merely speculative as opposed to fundamental. More clues will be revealed when the Quarterly Hogs and Pigs report comes out in three weeks.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are holding at the 'new' levels higher to finish the week. Since the August 10 session, the nearby September contract has moved ~12% higher, from trading in the mid \$8.60s USD/bu to its present level of \$9.71. Dryness in the Midwest, some derecho damage, and a credible frost warning are all providing support. Ongoing reports of daily 'flash' purchases coming from China are also supportive – next week the market will see the first official export volumes for the new marketing year which started this week.

US corn futures opened mixed this morning. While dryness concerns, derecho damage, and frost threats have provided support to US corn futures (up ~11% since August 10), unlike beans, the trade is starting to back off from the recent trajectory. In short, the weather-related supply-side concerns have not been enough to outweigh the demand side challenges the US corn market has faced over the past couple months. While not as high as seen earlier, revised ending stocks estimates from private analysts are still coming in over 2 billion bu., even on a 176 bpa yield estimate.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig 4		136.51 141.24	134.42 136.51	134.42 135.82	130.56 140.34	143.83 145.92	144.57 151.79	151.32 159.68	155.80 165.81	169.53 177.91
Soymeal Delivered Wpg/S.Man	482									

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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.