

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 9, 2020

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

US Slaughter

N/A	Tuesday
N/A	Year Ago

Daily Prices

WCB	\$45.82
National	\$63.51
Nat'l Cutout Adj	\$71.01
Signature 4	\$148.70
BP4/TCP4	\$140.00
HyLife Cash	\$156.69
HyLife Cutout	\$175.19

BoC Rate (Noon) prev. day
\$1.3191 CAD / \$0.7581 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 \$19.86 US Avg.

Feeder Pigs \$27.13 US Avg.

Forward contract prices opened higher this morning. The daily WCB base price is coming in lower by \$1.09 relative to the previous day but still remains trending higher relative to weekly base price. All reference regions are tracking in a counter seasonal move higher as a trend. The daily National is up \$2.40, National cutout adjusted base is higher by \$2.23, while the USDA cutout formula is up by \$2.66 USD/cwt. For the 'traditional' National and all cutout variants, some interesting psychological benchmarks are could be reached this week. Daily prices, of course, are used in determining the weekly base value and so far, there are indications that this week's base could be near (and potentially higher than) the averages. Today the daily National is 2% higher than the three-year average for this marketing week while the National cutout-adjusted daily price is 7% higher. The weekly USDA cutout formula base (used in Red Deer) is already known due to the way their price is discovered and it is 1% higher than the reverse engineered three-year average. While interesting and notable, especially since the daily and weekly prices have all tracked lower than benchmarks, often by double-digit percentages (as high as 40+% in some weeks) over the summer, there is not a lot of optimism that the recent cash strength will move significantly beyond current levels. While exports are good, domestic demand remains challenging especially as restaurant and foodservice sectors struggle with Covid-19 related restrictions and closures. There is some talk that the US industry is 'more current' than first that and furthermore that there may not be as big of a backup of animals as previously thought. However, speculation on backups remains just that with only anecdotal evidence to support the not-really-backed-up side. The Quarterly Hogs and Pigs report that is scheduled for release on September 24 will likely provide more clues on this front, but it will likely be debated no matter what the report reveals. The good thing about this particular report is that, despite some occasional quibbling, the USDA's track record on estimating numbers in the Quarterly Hogs and Pigs report remains pretty good. In the meantime, markets are pricing in a bit more optimism on thoughts of good export activity and the idea that producers are relatively current. The extent of the scope and longevity of the current optimism remains to be seen. Volatility in the futures markets will be a likely 'reaction' on Friday, September 25.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures remain trending higher day over day but are seeing some backing off as of this writing. Unlike the US corn trade, US beans are not seeing the same demand challenges. In fact, daily 'flash' sales continue to show up with China leading in volume. Because demand remains strong, the holiday-delayed Crop Progress could be considered mildly supportive with beans in the good/excellent category coming in 1% lower than last week. However, it is not a big enough of an adjustment lower to really push the market higher and the market could see some consolidation at current levels as the weather and current demand are largely priced in for now.

US corn futures opened lower this morning.

All metrics for US corn crop progress at this time of year are notably behind benchmarks – the US corn in good excellent has been steadily dropping for weeks and now sits at 61%, compared to 62% last week. As well, other indicators are lagging the typical trend such as denting and maturity. Yet US corn futures are once again lower today which is seemingly counterintuitive relative to the deteriorating production benchmarks. However, it is simply that the demand concerns presently are overshooting supply concerns. In a 'normal' demand year, the information in this week's Crop Progress report would have likely been supportive. Not this year.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig 4		139.79 143.35	137.68 139.79	137.68 139.09	133.62 143.44	146.65 149.06	146.95 154.21	153.74 162.92	158.40 168.51	172.27 180.74
Soymeal Delivered Wpg/S.Man	481									

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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.