

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 11, 2020

For details call: (204)235-2237 or visit  
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## US Slaughter

485,000 Thursday  
487,000 Year Ago

## Daily Prices

WCB \$52.75  
National \$64.50  
Nat'l Cutout Adj \$72.00  
Signature 4 \$150.68  
BP4/TCP4 \$140.00  
HyLife Cash \$160.15  
HyLife Cutout \$178.78

**BoC Rate (Noon) prev. day**  
\$1.3162 CAD / \$0.7598 USD

## Cash Prices Week Ending September 12, 2020

Signature 4 147.74/67.01  
h@ms Cash 145.74/66.11  
HyLife Cash N/A  
HyLife Cutout N/A  
BP4/TCP4 140.00/63.50  
OlyWest 2020 136.80/62.05  
OlyWest 2021 (Cutout) 161.00/73.03

## 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.** Weekly US cash reference markets all finished higher meaning all base pricing for week ending September 12 is higher than week ago. As well, all formula prices are now higher than marketing week averages for the first time since the Covid-19 pandemic created market disruptions. National is 2% higher, the National cutout-adjusted base is 7% higher, and the USDA cutout formula is 1% above the marketing week benchmark. Will cash continue to rally heading into the fall? Typically, negotiated prices back off a bit heading into the fall while the formula-based regions see some support after Labor Day (and eventually back off by the year's end). But the recent trends could be on the verge of being shaken up especially observing the futures rally that suggests prices could be counter seasonally higher due to a report of ASF in a wild boar in Germany and the subsequent South Korean border closure to German pork. South Korea typically gets 18% of its pork from Germany and also typically places bans on product if a foreign animal disease is even reported in a country but not yet in the production system. Market watchers are now waiting to see if China (or others) will follow suit; China sources approximately 12% of its import total (but not 12% of total product) from Germany. Speculation remains rampant as the market waits for more news. However, markets backed off from the earlier highs in the Friday session suggesting the market has priced in the 'known' uncertainty for now. Regardless, forward contract prices for Q4 were hovering around the \$150 CAD/ckg (unindexed base) level by Friday's close – cutout base (indexed) pricing was approximately in the high \$160s/low \$170s for both programs offering cutout forward contract prices in Western Canada. These values have not been seen in months and represents a sharp contrast to the \$120/\$130s seen only weeks ago. The rally seen over the past two days represents one based on pure speculation – there is no guarantee that the USA will be called upon to fill a void of pork in South Korea, Japan, China, or anywhere else. But the USA is well positioned to respond to replace Germany in some southeast Asian markets. The situation is ongoing, and news of more German bans would likely be supportive next week, but only if that news surfaces. Today, the market is satisfied with present levels of premium all things considered.

## Canadian delivered soymeal prices opened higher this morning.

Net sales for the first week of the new marketing year came in at 3.1 MMT which is typical for this time of year. The volume is high, but not the highest in recent memory which would be represented by the year 2016 with 3.7 MMT committed. But the real news today was revealed in the September WASDE report which showed 460 million bu in ending stocks estimates for 2020/21 (compared to 610 mil. last month) and 575 mil. bu. in ending stocks for the 2019/20 year (down from 615 million bu. last month). New crop yield was estimated at 51.9 bpa which was in line with expectations. Markets rallied double digits and the nearby contract closed just under \$10 USD/bu.

**US corn futures opened higher this morning.** Like beans, new marketing year exports of corn started off on a strong(er) note coming in with 1.8 MMT in new commitments but not nearly as high as the 3.5 MMT seen in 2018 or the 4.5 MMT seen in 2016. The September WASDE estimated old crop ending stocks at 2.253 billion bu and new crop at 2.503 billion bu which was considered neutral relative to expectations. The August report had ending stocks for 2019/20 and 2020/21 at 2.228 billion and 2.756 billion bu., respectively. Yield was lowered to 178.5 bpa from 181.8 bpa last month which was widely expected by analysts before the release and also neutral relative to expectations.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig 4		152.95 156.46	151.08 152.95	151.08 152.95	143.93 153.75	157.25 159.12	153.79 161.04	160.57 168.98	162.79 172.61	176.58 184.99
Soymeal Delivered Wpg/S.Man	497									

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