

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 16, 2020

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

US Slaughter

485,000 Tuesday
492,000 Year Ago

Daily Prices

WCB \$60.16
National \$67.12
Nat'l Cutout Adj \$74.62
Signature 4 \$156.98
BP4/TCP4 \$147.74
HyLife Cash \$166.70
HyLife Cutout \$185.32

BoC Rate (Noon) prev. day
\$1.3176 CAD / \$0.7590 USD

Cash Prices Week Ending September 12, 2020

Signature 4 147.74/67.01
h@ms Cash 145.74/66.11
HyLife Cash 157.74/71.55
HyLife Cutout 176.32/79.98
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 \$22.29 US Avg.

Feeder Pigs \$33.06 US Avg.

Forward contract prices opened lower this morning. US cash markets are mixed mid-week with the negotiated WCB backing off from the previous, (and exceptional) one-day move of \$7.77 higher, coming in \$0.75 lower this morning while the formula regions are all on higher relative to previous day. Despite the move lower in the WCB, the region is still tracking along at an exceptional pace upward, narrowing the spread between it and the National base which has been unusually wide all summer; now the WCB coming in at the highest level for this marketing week going back to 2015. Formula regions are all trending higher with ISM Formula up \$0.92, National \$1.06 higher, and the National cutout-adjusted base \$2.88 USD/cwt higher relative to the previous day. Looking at historical trends, the National has been as high as \$75.23 in recent memory (middle of October 2015) compared to the \$67.12 posted today. But it swiftly dropped 21% to \$59.23 six weeks later representing one of the lowest cash values in the past five years (only 2016 was lower). The point is that the market is currently in a high period of uncertainty and while the supply and demand dynamics on the ground today are supportive, the fourth quarter typically does not usher in consistent price supports. The Quarterly Hogs and Pigs report may merely confirm suspicions that hogs are not as backed up as at first thought today, but if there are numbers anywhere near *last year's* expectations on available supply, processing capacity limits will be reached and that will, in turn, pressure cash, or at least keep the potential for further upside in check. Lean hog futures meanwhile are consolidating at current levels today and trading in a generally sideways pattern as of this writing. The rally that developed late last week has reached its potential for now as the market waits for confirmation that China, Japan, and South Korea will indeed place more orders for USA pork which is neither guaranteed in terms of quantity or duration. Of course the three will likely increase US pork purchases in some as-yet undetermined quantity, but when the trends start to reveal themselves, the market will make appropriate adjustments which may not necessarily be higher unless the new orders are exceptionally positive. For now, futures are pricing in some optimistic numbers, but it is a pure speculation play presently. The result has been a notable increase in futures values since early last week – while futures were positioned below cash trendlines by about 4%-6% last Tuesday, today futures are 2% above cash settlement histories (a metric used to gauge relative value) across the entire forward price offering.

Canadian delivered soymeal prices opened even this morning.

US soybean futures are once again higher after taking a breather and backing of yesterday, and trading over the psychological \$10.00 USD/bu level as of this writing. The trend has been steadily higher since August 10 following the derecho that moved across the Midwest but mostly on information the China continues to commit to new purchases of US beans. Dry weather is called across most of the Midwest for the next two weeks.

US corn futures opened higher this morning.

Like beans, US corn futures have also reversed yesterday's trend and are continuing the track higher since Mid-August. There was some new breaking earlier this week that the Trump administration will support ethanol mandates, or, more accurately, will deny 54 out of 68 retroactive SRE (small refinery exemptions) that would allow refineries not to blend ethanol. The problem was some of the 'small' refineries were not all that small and taking advantage of a program not intended for large energy producers. The move is seen a supportive for US corn.

FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		149.08 152.47	143.93 146.97	143.93 145.34	141.35 151.41	153.98 157.02	154.10 160.18	159.71 168.41	162.21 173.91	176.49 185.85	179.50 185.85	172.84 183.60
Soymeal Del Wpg/S.Man	497											

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STRENGTH IN NUMBERS

