

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, September 17, 2020

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

**Forward contract prices opened mixed this morning.** Daily US cash markets continue to make incremental gains and trend higher with the negotiated WCB region up \$2.07, ISM Formula \$1.45 higher, National showing zero net change on the day, and the National cutout-adjusted base up \$0.21 USD/cwt. All daily regional base pricing is now at their highest levels for this marketing week compared to weekly settlement bases with the exception of 2015 when uncertainty lingered well into the autumn. The cash moves are somewhat impressive given that the US is still struggling with domestic demand issues related to Covid-19 disruptions in the restaurant and foodservice sectors. While 'at home' eating and retail (grocery) have improved when looking at dollar values, the increase has not been enough to offset the losses in restaurant and foodservice. Of course, the metric is not ideal for acute analysis and the 'sectors' include all protein and non-protein items (not just pork) but it does highlight there has not been a 1:1 replacement ratio in a Covid-19 marketing environment. Demand in the export channel has been good, however, and there are thoughts that as packers remain profitable, they are at least motivated to replenish stocks in cold storage which were at historical lows in the last report. In terms of exports, physical sales were just 'ok' coming in at 28,637 MT which although still 49% higher than the five-year average trend for this time of year, was also \$15% lower than week ago according to this morning's Weekly Export Sales report. Broadly speaking, physical deliveries are maintaining a pattern of volume that has been in place since June and it is notably lower than the pace seen at the beginning of the year when 40,000 MT was the average. New net sales, however, came in at 50,568 MT and only the fourth time this year that new net sales have eclipsed 50k MT. Lean hog futures moved higher on the news and while double-digit gains were seen in the nearby contracts, the move has merely offset the losses seen in yesterday's session. The market will be looking for clues on follow-through buying in next week's report. We will note that this volume \*does not\* include new commitments from China or South Korea (for example) offsetting their German pork bans. That information, if those orders develop this week, will be revealed in the next export sales report that comes out on September 24. That day will be a big data day with the Quarterly Hogs and Pigs report also released later that afternoon. If both reports are bullish, some further upside in the futures is indeed possible. Today, markets have appeared to already have priced in the export numbers for week ending September 10, the results of which seeing futures values approximately 3% higher than average cash market settlement histories (a metric used to gauge value).

**Canadian delivered soymeal prices opened higher this morning.** The nearby soybean futures contract continues to trade above the psychological \$10 USD/bu. level and getting some help from this morning's export sales report. It appears the flash sales to China when aggregated have resulted in some of the highest new net sales numbers on record. Over 5.8 MMT were committed at the end of the marketing year which is a record in recent memory. Last week, 2.457 MMT more were added to start the marketing year which is also relatively strong. Physical deliveries were also strong at 1.732 MMT shipped and is also a record for this marketing week in recent history.

**US corn futures opened higher this morning.** US corn is higher at the open today but not necessarily due to information revealed in this morning's export sales report. New net sales for the first marketing week of the year were good at 1.609 MMT but not record breaking. Physical deliveries were only 2% above the five-year average. There is some optimism that China could buy more corn than normal due to adverse weather conditions impacting their domestic crop and rumors of dwindling state reserves, but the market will need to see follow-through buying from China before any conclusions can be drawn.

US Slaughter	
485,000	Wednesday
487,000	Year Ago
Daily Prices	
WCB	\$62.23
National	\$67.12
Nat'l Cutout Adj	\$74.83
Signature 4	\$156.89
BP4/TCP4	\$147.74
HyLife Cash	\$167.48
HyLife Cutout	\$185.84
<b>BoC Rate (Noon) prev. day</b> \$1.3168 CAD / \$0.7594 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
<b>2020 Top-Up (YTD Rolling Est.)</b> \$19.54 CAD/ckg	
ISO Weans \$22.29 US Avg.	
Feeder Pigs \$33.06 US Avg.	

FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		149.66 152.05	144.51 147.55	144.51 145.91	140.58 150.65	153.23 156.27	153.23 159.32	158.85 167.49	161.80 173.51	176.09 184.75	179.69 185.45	173.07 183.84
Soymeal Del Wpg/S.Man	507											

This bulletin is intended as a marketing tool for subscribed members only. Prices are not quotes and all pricing is subject to verification. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.