

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 18, 2020

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

US Slaughter

484,000	Thursday
485,000	Year Ago

Daily Prices

WCB	\$64.35
National	\$69.33
Nat'l Cutout Adj	\$76.83
Signature 4	\$162.45
BP4/TCP4	\$147.74
HyLife Cash	\$172.10
HyLife Cutout	\$190.71

BoC Rate (Noon) prev. day
\$1.3168 CAD / \$0.7594 USD

Cash Prices Week Ending September 19, 2020

Signature 4	156.87/71.16
h@ms Cash	154.87/70.25
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	147.47/67.01
OlyWest 2020	150.00/68.04
OlyWest 2021 (Cutout)	172.00/78.02

2020 Top-Up (YTD Rolling Est.)
\$19.06 CAD/ckg

ISO Weans \$22.29 US Avg.

Feeder Pigs \$33.06 US Avg.

Forward contract prices opened mixed this morning. Daily US cash base prices are all higher to finish the week with the negotiated WCB region up \$2.21, ISM Formula \$1.41 higher, National \$2.21 higher, and the National cutout-adjusted base price up \$2.00 USD/cwt relative to the previous day. The trajectory is a clear path higher despite some mid-week countermoves, but it is following a somewhat historical trend presently and if normal seasonality holds, cash markets *could* expect to see the continuation of the upward swing for another few weeks before heading lower once again approaching the holidays. However, this year has been anything but normal and there is a lot of uncertainty especially in the fourth quarter. Next week's Quarterly Hogs and Pigs report will likely provide some clues on what the end of the year will have in store for cash markets as updated numbers on the herd's categories *may* reveal some of the Covid-19 disruption. The Hogs and Pigs report will not report on culled sows, euthanasia, or any other death loss directly, but clues may be gleaned from some of the categories such as 'Kept for Breeding', 'Market', and the various weight categories hinting at the supplies to come. If there are any surprises on either side of the estimates, the futures market could move quite notably, and most analysts are expecting volatility after its release. The report will be published after trading on Thursday, September 24 and the market's reaction will be revealed on Friday, September 25. Consensus is that the information in the report will likely set the tone in the marketplace for the remainder of the year as the next report will not be released until December. In the meantime, lean hog futures have consolidated at current levels having priced in the bans on German pork by China, Japan, South Korea, and Singapore for now. Following Monday's correction lower (after seeing a rally the previous week), the futures have traded in a sideways pattern within an established range. In other words, the market is not poised to move much higher or lower than the current values unless new information develops to spark the next move. Market watchers generally feel, today, that the new information will come by way of the Hogs and Pigs report mentioned above. If the report is bullish, another leg up is possible meaning the levels seen earlier could be reached or surpassed once more. If the report is bearish, however, current values should likely be considered fair value in the current marketing environment.

Canadian delivered soymeal prices opened higher this morning. US soybeans are finishing off the week on a higher note and continue their upward pattern since breaking above \$10.00 USD/bu during the session on Wednesday. The recent action in the nearby (and all) contracts has been called a rally and rightfully so; values are up 3.5% relative to the start of the current activity that began on Wednesday. Strong export sales driven by China are one of the main influences, but managed money is also adding support as the funds add on to their long positions. A new Commitments of Traders report will be released later today.

US corn futures opened higher this morning. There is talk that strength in beans and wheat is pulling US corn futures higher but so too are ongoing flash sale announcements that China continues to buy US corn. Is this a function of Phase One pressure, or ideas that inclement weather in China is deteriorating crops as state reserves get drawn down? Either way, US corn has likewise seen a rally and a steady upward trajectory since August 10. The nearby contract is trading at \$3.76 and 2/10 as of this writing and has been moving consistently higher since Wednesday.

FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		150.20 153.99	145.06 148.10	145.06 146.46	140.63 150.69	153.26 156.30	153.15 159.23	158.76 167.35	161.62 173.31	175.88 184.53	179.53 185.23	172.68 183.43
Soymeal Del Wpg/S.Man	522											

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