

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 22, 2020

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

US Slaughter

485,000	Monday
444,000	Year Ago

Daily Prices

WCB	\$62.58
National	\$71.99
Nat'l Cutout Adj	\$79.49
Signature 4	\$169.87
BP4/TCP4	\$156.87
HyLife Cash	\$178.95
HyLife Cutout	\$197.59

BoC Rate (Noon) prev. day
\$1.3293 CAD / \$0.7523 USD

Cash Prices Week Ending September 19, 2020

Signature 4	156.87/71.16
h@ms Cash	154.87/70.25
HyLife Cash	169.02/76.67
HyLife Cutout	186.69/84.68
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 \$25.22 US Avg.

Feeder Pigs \$34.57 US Avg.

Forward contract prices opened higher this morning. US cash reference markets are all higher relative to the previous day with the negotiated WCB region up \$2.69 and both National variants \$1.82 USD/cwt higher. The weekly USDA cutout formula has already been determined for week ending September 26 and is up \$3.74 relative to the previous week. The USDA cutout formula has a way to go before making any new records relative to values seen earlier this year, but it is already at marketing week highs. But the other regions are starting to break some ground. While not at the highest marketing week levels, the WCB is now at the highest value for the year; National is essentially equal with the Covid-19 bump in May, as is the National cutout-adjusted base price. The cash markets feel a bit 'toppy', however. There doesn't appear to be any shortage of live supplies, domestic demand is still a challenge, exports are at record levels but not stratospheric, and cash markets typically make a move lower in a few weeks. This year could be different though – if the quarterly Hogs and Pigs report published later this week reveals what some analysts have been hinting at for weeks (i.e. that there is no backlog of hogs and in fact, supplies could be tighter than first thought), cash markets could see some counter seasonal strength. There is no consensus on this, however, and speculation remains rampant. So too in the futures market where lean hog futures gapped higher at the open this morning. The contracts have since moderated but they are all trading near levels seen last Friday when futures saw a two-day rally on German ASF outbreaks and pork ban news. Canadian dollar is also helping the value of forward contracts priced in CAD having dropped 80 basis points since yesterday and 25 basis points in the last half hour alone, although it is making a bit of a comeback as of this writing. Markets will likely continue to trade in a choppy pattern heading into the Quarterly Hogs and Pigs report as traders reposition themselves ahead of what is considered to be a very big report for market watchers. The USDA will publish the report after trading on Thursday. Friday could be a very volatile day. Pre-report estimates will be published here when they become revealed later on this week.

Canadian delivered soymeal prices opened higher this morning. US soybeans are recovering from yesterday's losses in what some traders call 'turnaround Tuesday'. There is no evidence that the previous day's move is always reversed on Tuesdays, but when it does happen, traders have a name for it. All contracts out to August 2021 remain above the \$10.00 USD/bu level on optimism that China will continue to keep up their recent commitments, and indeed, take delivery at some time in the future. Ten-dollar beans have not been seen since March of 2018 in the cash.

US corn futures opened higher this morning. Like beans, US corn futures are reversing from the downward trend seen on Monday, but the recovery is much more modest. In fact, the market appears to be limiting further downside rather than mounting any recovery per se. The nearby contract is priced around the \$3.70 USD/bu mark which hasn't been seen since last March. But despite the consistent move higher since August 10, the trade has not been able to breach the \$3.80 level and the psychological \$4.00 benchmark is as far away as ever.

FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		152.93 159.06	147.73 150.80	147.73 149.15	144.01 154.15	156.74 159.81	156.27 162.40	161.93 170.68	164.90 176.69	179.28 188.01	182.87 188.72	176.15 187.00
Soymeal Del Wpg/S.Man	526											

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STRENGTH IN NUMBERS

