

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 25, 2020

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

US Slaughter

485,000	Thursday
485,000	Year Ago

Daily Prices

WCB	\$63.31
National	\$73.96
Nat'l Cutout Adj	\$81.46
Signature 4	\$175.58
BP4/TCP4	\$175.58
HyLife Cash	\$186.24
HyLife Cutout	\$205.13

BoC Rate (Noon) prev. day
\$1.3374 CAD / \$0.7477 USD

Cash Prices Week Ending

September 26, 2020

Signature 4	170.94/77.54
h@ms Cash	168.94/76.63
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	156.87/71.16
OlyWest 2020	164.00/74.39
OlyWest 2021 (Cutout)	181.40/82.28

2020 Top-Up (YTD Rolling Est.)

\$18.79 CAD / ckg

ISO Weans \$25.22 US Avg.

Feeder Pigs \$34.57 US Avg.

Forward contract prices opened mixed this morning. Traders trading the nearby futures contract disagree with yesterday's Quarterly Hogs and Pigs report that contained some surprising information when one considers the recent strength seen in the cash markets. According to the USDA, all hogs and pigs were slightly above analysts' pre-report estimates at 100.7% of last year suggesting slightly more supply than anticipated. The Kept for Breeding category came in at 98.5% which while lower than year ago (completely expected), was a full percentage higher than analysts' expectations. This might have been considered a neutral to bearish influence in a normal year but as we know, 2020 has been anything but normal.

The 2.1%-3.1% lower numbers in the lighter weight categories are supportive, but the heavier categories suggest a much different picture and contradict anecdotal observations on the ground not to mention the higher bids in cash. The report reflects producer intentions and expectations on supply as at September 1 via surveys. That means, if true, when applying a 109.8% increase over year ago (103% expected), this week's marketing numbers should be in the 2.9+ million category. Either that or over ~250,000 hogs have been backed up on farms per week since the beginning of the month, and the cash performance suggests otherwise. Where are the hogs? Abortions have been suggested as an explanation, but only in unofficial circles for now. While the hope was for the report to provide some clarity, it appears that more uncertainty has entered the trade and the futures simply do not agree with the nearby estimates. If anything, futures are pricing in the expected drop in numbers that are shown in the lighter categories that will be expected to be marketed by the middle of November. It is somewhat odd that the market disagrees with one aspect of the report, but not the other but we should also remember US hog producers were right in the middle of dealing with Covid-19 disruption when the surveys were sent out and things may have changed considerably since on the farm. Regardless, strong cash implies numbers on the ground are not reflected in the USDA's most recent estimates and the move in the futures this morning suggests traders are biased toward the lower estimates. Producers who waited to hedge are the beneficiaries today with prices approximately \$5.00 CAD/kg higher at the pre-open. Please note, however, that the futures are not supporting a multi-day rally and are backing off as of this writing. So far, an apparent 'top' was reached at 9:15 AM today which is not the recipe for a sustained upside if true

Analysts' Expectations vs. USDA September Quarterly Hogs and Pigs Report

	Range of estimates (% of 2019)	Avg. Pre-report	USDA Report
All hogs	96.9-102.6	100.1	100.7
Breeding	96.7-98.9	97.5	98.5
Marketing	96.9-103.0	100.6	100.8
>180 lbs.	101.0-106.0	103.3	109.8
120-179 lbs.	98.1-105.1	102.3	106.1
50-119 lbs.	95.4-102.0	99.8	96.5
<50 lbs.	95.0-100.5	98.6	96.5

Source:: citing Reuters in DLR, USDA NASS

Canadian delivered soymeal prices opened higher this morning. US soybean futures continue to look for consolidation in the present marketing environment. And impressive run up following the August 10 derecho event in the USA reached its summit on September 19. Since then the market has drifted lower but has found some support this morning. Contracts out to July of 2021 are still trading above \$10.00 USD/bu

Canadian delivered soymeal prices opened higher this morning.

US corn futures opened higher this morning. Like beans, US corn futures are attempting to price in new levels. Also like beans, the corn trade saw much support after August 10, and similarly topped out on September 19. The nearby contract is hovering in the mid \$3.60 USD/bu range with no real reason to move substantially higher or lower at this time. Unlike beans, US corn is facing large demand problems which is keeping the potential upside in check.

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FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		153.12 166.44	147.89 150.98	147.89 149.32	144.13 154.34	156.95 160.04	157.90 164.08	163.60 172.27	166.53 178.39	181.00 189.78	184.71 190.50	177.66 188.58
Soymeal Del Wpg/S.Man	524											

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