

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, September 28, 2020

For details call: (204)235-2237 or visit
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US Slaughter

2.627 mil.	Last Week
2.641 mil.	Year Ago

Daily Prices

WCB	\$64.75
National	\$74.74
Nat'l Cutout Adj	\$82.19

Signature 4	\$177.70
BP4/TCP4	\$177.70
HyLife Cash	\$188.41
HyLife Cutout	\$207.20

BoC Rate (Noon) prev. day
\$1.3396 CAD / \$0.7465 USD

Cash Prices Week Ending September 26, 2020

Signature 4	170.94/77.54
h@ms Cash	168.94/76.63
HyLife Cash	183.84/83.39
HyLife Cutout	202.15/91.69
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 \$27.26 US Avg.

Feeder Pigs \$41.47 US Avg.

Forward contract prices opened lower this morning. Today marks the first day of marketing week 40 which is also the first week in the fourth quarter for 2020, and all market watchers will be very interested to see how Q4 pans out this year. So far, 2020 have proven to buck conventional trends in pricing especially in the second and third quarters this year. Today, US cash markets are starting the week off on a higher note with WCB up \$1.44, National \$1.05 higher and the National cutout adjusted up by \$0.73 USD/cwt relative to the previous day. The weekly USDA cutout formula price will be revealed later today when the calculations are complete but likely mirroring the recent trend higher as well. Some support comes from strength in primals. The weekly value of the carcass was once again higher than the previous week's level which now sits at \$90.21 USD/cwt representing the third highest value for this marketing week since 2013. The move was led by hams and bellies whose individual weekly values are now at their second highest level for marketing week 39 also going back to 2013 when the new format for reporting began. Significant draw down in freezer stocks took place during the Covid-19 plant disruptions but last week's cold storage report revealed that a buildup is beginning to take place. Weekly slaughter came in at 2.627 million head which was ~1.5% higher than week ago and almost exactly matching the buildup seen in 2019 which also came in 1.5% higher than previous week last year in this marketing week. In other words, the week to week increase in slaughter so far is mirroring a seasonal pattern. Lean hog futures are mixed to lower to start the week. No real follow-through buying has materialized but this is unsurprising. The German pork ban was priced in on Thursday and Friday when the story broke; the reaction to the Quarterly Hogs and Pigs report was priced in by mid-session last Friday. In sum, the recent news has been priced in and the market will likely trade in a somewhat two-sided and range bound pattern until new developments become reported. In the meantime, futures values for the remainder of 2020 are ~12% higher than the three-year average cash price (a metric used to determine relative value) while the 2021 contracts are ~3% higher on average. The fact that cash prices are rising today does not mean they will do so indefinitely. A lot can happen in 13 weeks, and Q4 typically comes under pressure near the beginning of November.

Canadian delivered soymeal prices opened lower this morning.

A combination of technical indicators and some rumors that a lack of daily soybean sales last week is being cited as reasons for the recent US soybean futures move lower. Almost daily flash sales to China backed up by weekly export sales reports showing strong activity is still supportive, but US beans are trading lower as of this writing. Beans are once again under the \$10 USD/cwt level which was first breached in the September 15 session.

US corn futures opened higher this morning.

While US corn was, like beans, under pressure for most of last week, the trade appears to be consolidating at current levels and is moving higher as of this writing. The move continues the support that was seen in the Friday session but no one is calling it a rally per se. US corn still suffers from demand challenges in all channels, but some 'new' volumes in terms of Chinese commitments had the market a bit more optimistic earlier.

FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		151.62	146.41 149.49	146.41 147.83	142.36 152.55	155.15 158.23	156.65 162.81	162.33 170.89	165.97 177.80	180.40 189.16	184.86 189.87	177.66 188.59
Soymeal Del Wpg/S.Man	513											

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