

# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 29, 2020

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

## US Slaughter

489,000 Monday  
485,000 Year Ago

## Daily Prices

WCB	\$64.16
National	\$75.27
Nat'l Cutout Adj	\$82.77
Signature 4	\$178.73
BP4/TCP4	\$178.73
HyLife Cash	\$190.06
HyLife Cutout	\$209.00

**BoC Rate (Noon) prev. day**  
\$1.3378 CAD / \$0.7475 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.** The daily negotiated WCB region is backing off and \$0.29 USD/cwt lower relative to the previous day. While the WCB is not used in the construction of any base price in Western Canada we monitor, it does serve as a proxy for a more 'on-the-ground' price for hogs not on contract. Has the negotiated market reached a top? It is much too early to say, but trend analysis reveals it is mirroring the profile of 2018 and, more broadly, a seasonal trend that typically sees the WCB turn lower at approximately this time of year and drift consistently lower heading into the holiday season, on average. Of course, history does not guarantee future events, and 2020 has been anything but a normal marketing year, but market participants will be watching the WCB very closely for clues on direction. Meanwhile, while the National region is \$0.53 higher on the day, it is starting to show signs of moderating as it enters into record daily values for this marketing week. The National cutout-adjusted base is \$0.58 higher and at record levels for this marketing week using a reconstructed historical price as a comparison because the formula did not exist in prior years. The USDA cutout formula base used in Red Deer has been established for the week and is \$1.28 USD/cwt higher than week ago and 18% higher than the values that would have been seen at this time of year if the program was available in a historical sense. Market watchers will notice that forward contract values are approximately \$4-\$5 CAD/ckg lower than values available during trading on Monday. The reason for this was a sharp drop lower shortly after the market opened today; prices are now consolidating off the early morning lows and showing signs of a slight recovery. Markets remain choppy and any number of things can move values a couple dollars in either direction even within a couple hours, for example, managed money exiting or entering the trade, a large commercial operation taking a hedging position, broad speculation, and of course fundamental news that changes the marketing environment. In the meantime, futures values are maintaining relative 'fair value' with the remainder of 2020 ~7% higher than cash averages viewed over a comparative time period while the 2021 contracts are 2% higher as of this writing. Prices are not particularly high today and they could regain some value later on, but they are notably higher than three weeks ago.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures continue their move lower with all futures values now trading under the psychological \$10.00 USD/bu. level. Export commitment activity remains relatively good but the market appears to be of the view that the top was put in place last week. The next day of support will likely establish the lower end of a new trading range when it reveals itself. For now, beans have been steadily lower since last week as a trend and the new support level has yet to be determined.

**US corn futures opened lower this morning.** Like beans, US corn futures are also lower to start the session but unlike beans, US corn futures appeared to already have carved out a support level near the \$3.60 USD/bu level for the nearby contract. There is not much news to garner any support in the short term and demand challenges will keep any new upside in check should some support develop. On that note, it does not appear the market will not move substantially lower beyond current levels with the known risks priced in for now.

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	515											

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STRENGTH IN NUMBERS

