

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 30, 2020

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

US Slaughter

485,000 Tuesday
489,000 Year Ago

Daily Prices

WCB \$64.95
National \$76.24
Nat'l Cutout Adj \$82.58
Signature 4 \$181.22
BP4/TCP4 \$181.22
HyLife Cash \$192.27
HyLife Cutout \$208.23

BoC Rate (Noon) prev. day
\$1.3391 CAD / \$0.7468 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 mixed this morning. US cash markets continue to see ongoing strength and are maintaining the tack higher over seasonal averages that developed near marketing week 37, or the middle of September. While cash markets historically see a bit of a bump a couple weeks after Labour Day, this year's move is more pronounced than in other years. All US cash markets monitored by h@ms Marketing for base price establishment are between 18% and 22% higher than the three-year average for this marketing week. There is anecdotal evidence that 'meat sellers' are doing well in the US and that the demand on the meat side is pulling through to live hogs. Furthermore, the idea that there is currently a backlog of hogs in the supply chain no longer appears to be a popular stance. While there were certainly hogs backed up on farms at the beginning of the Covid-19 processing plant shutdowns, there are now thoughts that US hog producers, through a variety of alternative animal husbandry and marketing arrangements could have alleviated some of that pressure. As well, packers ramped up slaughter at a quicker than anticipated pace and large Saturday kills over the summer (at levels not typically seen until into the fall) also relieved some of the pressure. While the USDA's Quarterly Hogs and Pigs report certainly had some questionable data points, the discrepancies were most likely a feature of response lag in data capture – producers who were surveyed for their estimates for intentions as at September 1 likely changed production decisions so that now the marketing environment doesn't accurately reflect the estimates in the surveys conducted earlier. Regardless, cash markets are seeing some atypical strength and the only question is when that strength will subside. Seasonality and pig biology will likely play a role in the coming weeks and months – there are still a log of hogs coming to market and Covid-19 plant restrictions could limit the amount of animals that can be processed in a given week. Together, this would have a pressuring influence on pricing. In the meantime, the first week of the fourth quarter is shaping up to see cash pricing ~20% higher than average. Lean hog futures continue to trade in a sideways and two-sided pattern, up one day and down the next. Today, futures are higher than previous day, but only reversing the losses seen in the prior session. The rallies that occurred after the German pork ban announcement and the reaction to the Hogs and Pigs report are currently priced in. Further upside, while entirely possible, likely remains limited until the next major news event materializes (like the German pork ban, for example). Producers should consider, however, that the next major news event may not necessarily be supportive.

Canadian delivered soymeal prices opened higher this morning. The USDA will release quarterly grain stocks estimates later this morning with the average trade estimate heading into the report for beans coming in at 576 million bu. compared to the USDA's current WASDE estimate for September which is pegged at 575 million bu. Export demand remains good, led by China, and the market will be looking forward to Thursday's export sales report that is published before the market opens for more clues on direction.

US corn futures opened lower this morning. US corn futures are trading at the lower end of the recently established range, not really getting any help from the EIA Ethanol report that was released earlier. While stocks of US ethanol are down, so too is weekly ethanol production that has yet trend back into the averages and is actually heading lower for the start of the 2020/21 marketing year. While 2020/21 corn usage in ethanol is projected to come in higher than last year, it still will not be at the levels seen between 2014/15 and 2018/19 which were all higher.

FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		150.47	145.25 148.34	145.25 146.68	141.86 152.07	154.68 157.76	157.24 163.41	162.94 171.75	167.16 179.04	181.65 190.43	185.57 191.15	178.51 189.44
Soymeal Del Wpg/S.Man	518											

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