

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 1, 2020

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

US Slaughter

473,000 Wednesday
487,000 Year Ago

Daily Prices

WCB	\$64.98
National	\$76.31
Nat'l Cutout Adj	\$82.23
Signature 4	\$180.67
BP4/TCP4	\$180.67
HyLife Cash	\$192.62
HyLife Cutout	\$207.57

BoC Rate (Noon) prev. day
\$1.3339 CAD / \$0.7497 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. US cash markets are mixed relative to the previous day but still maintaining an upward bias that will likely result in a higher week over week base price converted to Canadian dollars when calculated later today. While the two marketing years are drastically different, the WCB is holding a tight profile with 2018 and has done so since marketing week 37 (middle of September). It is likely just a pure coincidence but trend analysts cannot help but note the close correlation and it will be closely watched as the WCB typically also starts to see some pressure after this week (marketing week 40) as it also did in 2018. The National region is still making daily incremental gains and while backing off in intensity somewhat, there is no indication that the market is ready to move lower just yet. The National cutout-adjusted price is \$0.35 USD/cwt lower compared to previous day, but the weekly base price will likely come in higher than week ago. Weakness in the cutout-adjusted variant stems from some softness developing in the value of the cutout which, is seeing some pressure in hams and bellies, but overall still remaining at levels not seen since the beginning and tail end of the Covid-19 run on the meat case that was precipitated by some US packing plant shutdowns and nervous consumers that engaged in panic buying. The cash market still feels like it is attempting to find equilibrium amid the murky fundamental picture but for now, cash is biased higher and all regions will likely come in some 20% or so higher than the average seen in this week. Exports remain very good, but not stellar even if the numbers look impressive. Compared to the five-year average, net sales are 92% higher for week ending September 24, and 5% higher than week ago. But net exports are merely maintaining the trend that was established in June so while '92% higher' sounds phenomenal, it will likely need to be higher than that to usher in new support. Weekly exports are also higher than benchmarks, but were lower week over week coming in at ~32,600 MT. What about the German pork ban? Market watchers are reminded that China is a large buyer of offal and other variety meats that are not captured in the weekly export sales report that only reports on primals. So, China could be in the US market, but that information will not be revealed until the customs data reports on it which is lagged by two months due to the level of detail needed to compile the information. In the meantime, the futures market has not reacted strongly to the export sales report this morning and is moderately lower as of this writing.

Canadian delivered soymeal prices opened higher this morning. After trending lower all week, US soybean futures got a boost from the quarterly grains stocks numbers that showed 523 million bu which was less than the average pre-report estimate of 576 million bu. There is some moderate follow through buying this morning and contracts out to August of 2021 are once again trading above \$10 USD/be on solid exports. This morning's report showed net sales and physical deliveries above benchmarks by 96% and 30%, respectively. The trend is lower than week ago, however, and will be closely watched for continued demand from China.

US corn futures opened higher this morning. Like beans, US corn futures saw support following the grain stocks report that revealed 1.995 billion bu on hand compared to the pre-market expectation of 2.250 billion bu. The nearby US corn futures contract is now at highs not seen since last March, but still about 20 cents away from the psychological \$4.00 USD/bu level. Weekly exports were seasonal coming in at ~750,200 MT; net sales were more impressive coming in at 2.0 MMT in new commitments perhaps providing a bit more rationale for the market to move to the upside.

FC Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		149.18	143.98 147.06	143.98 145.40	140.31 150.46	153.06 156.13	155.18 161.32	160.85 169.65	165.75 177.56	180.16 188.90	184.39 189.61	177.59 188.45
Soymeal Del Wpg/S.Man	538											

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STRENGTH IN NUMBERS

