

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, October 5, 2020

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

US Slaughter

2.603 mil.	Last Week
2.660 mil.	Year Ago

Daily Prices

WCB	\$63.16
National	\$76.42
Nat'l Cutout Adj	\$82.94
Signature 4	\$180.54
BP4/TCP4	\$180.54
HyLife Cash	\$192.14
HyLife Cutout	\$207.80

BoC Rate (Noon) prev. day
\$1.3310 CAD / \$0.7513 USD

Cash Prices Week Ending

October 3, 2020

Signature 4	179.85/81.58
h@ms Cash	177.85/80.67
HyLife Cash	191.84/87.02
HyLife Cutout	208.85/94.73
BP4/TCP4	170.94/77.54
OlyWest 2020	177.60/80.56
OlyWest 2021 (Cutout)	196.40/89.09

2020 Top-Up (YTD Rolling Est.)

\$18.59 CAD/ckg

ISO Weans \$27.26 US Avg.

Feeder Pigs \$41.47 US Avg.

Forward contract prices opened lower this morning. Daily US cash markets are all lower to start the week. The USDA cutout adjusted base price will be determined later today for week ending October 10, and because of the way it is constructed, it will likely be higher than week ago. However, the daily National based references are all lower and while there has been some day to day variability in price movements recently, it will be interesting to see if today's pressure marks the beginning of a trend. The reason why this development is being highlighted today as opposed to earlier when daily cash occasionally moved lower too, is that this is also near the time that cash markets turn lower seasonally. When price profiles are viewed relative to history, there is a clear backing off in all regions today that fits the trend. This might not necessarily be the case moving forward, but trend analysts cannot help but notice the correlation. Cash markets are already at or near all-time highs for this time of year and the market could be poised for a correction. The remainder of the daily price movements this week will be watched very closely for clues on direction. Weekly slaughter came in at an estimated 2.603 million head and only 2,000 head higher than week ago. Due to the late Labour Day this year, there are only three weeks of kill data to compare against benchmarks. But observers will note that levels have been relatively flat over the past three weeks and lower than recent peak of 2.652 million in the week before the long weekend. Are packers at capacity? It is currently believed that current capacity is hovering around 2.61 million in a Covid-19 processing environment. Labour shortages are ongoing and there is anecdotal evidence that securing labour has been even more challenging due to Covid-19 complications too, thus limiting overtime processing, and potentially, normal production. The expected reduction in animal numbers in November according to the Quarterly Hogs and Pigs report may merely offset the normally seen seasonal increase in supply. Lean hog futures continue to trade in a sideways pattern appear to be responding to technical indicators for price movements. The German pork ban and the Hogs and Pigs report events are priced in for now. Better than average value is seen in the April futures which is currently 10% higher than benchmarks, but the remainder of the contracts are hovering around the 3% mark and reflecting a more typical profile today. The market could see some support from current levels, but a *strong and sustained* rally is unlikely with the current information priced in for now. Forward contracting at current levels would be considered a 'fair value' hedge against downside risk.

US soymeal futures opened mixed this morning. US soybean futures are still trading above \$10 USD/bu out to August of 2021, but the market appears to be consolidating at current levels. Farmer selling and pressure in energy markets (impacting biodiesel projections) are being cited for limiting the upside. China continues to be a strong buyer and showing up somewhat consistently in the daily flash reports, but the top appears to be priced in for now. Futures got a boost following the estimated reduction in the Quarterly Grain Stocks report, but follow through buying did not materialize in subsequent sessions.

US corn futures opened mixed this morning. Like beans, farmer selling and pressure in the energy markets (impacting ethanol projections) are also keeping further upside in check for US corn, but the futures got more of a boost than soy following the reduction in grains stocks estimates last week. Increased commitments from export partners is also helping to support, but physical deliveries remain relatively seasonal. The nearby contract is trading at levels not seen since last March (low \$3.80s USD/bu). but the trade has yet to break the \$4.00 USD/bu. mark.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		142.55 145.61	142.55 143.97	140.60 150.74	153.33 156.40	156.99 163.11	162.64 171.59	167.46 179.26	181.86 190.59	185.52 191.30	178.39 189.25
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

