

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, October 6, 2020

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

489,000 Monday
485,000 Year Ago

Daily Prices

WCB \$65.82
National \$77.13
Nat'l Cutout Adj \$84.63
Signature 4 \$181.65
BP4/TCP4 \$181.65
HyLife Cash \$193.51
HyLife Cutout \$212.32

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 higher this morning. Following a 'down day' yesterday, US cash markets are once again showing signs of strength. All regions monitored are up relative to previous day with the negotiated WCB \$2.66 higher, ISM Formula up \$1.14, and the National and National cutout-adjusted base higher by \$0.71 and \$1.69 USD/cwt, respectively. With the exception of the WCB, all daily USD reference pricing is at recent highs for this marketing week, and like last week, base pricing for week ending October 20 will likely come in near or above 20% than the values typically seen at this time of year. The only question is how long will this last? Normally prices start to back off and head lower into the fall as colder weather approaches and fresh corn becomes available thereby increasing the available supply of live hogs in terms of weight – heavier hogs means more pork. But the cash market appears to be shunning seasonality and pig biology for now, begging the question; is there really a backlog of hogs that needs to be worked through? Inconsistencies on the most recent Hogs and Pigs report are blurring the picture, but for now the cash market appears to be telling market watchers that there is not really much of a systemic backlog today. There are anecdotal reports of some backing up in the east, but it does not appear to be a widespread or national crisis. Regardless, all participants should likely be mindful of a potential capacity limit looming. For the past three weeks, weekly kills have come in near the 2.6 million head level and not really varying over that time when normally slaughter starts to pick up heading into the end of the year. If the USDA is correct on the numbers respecting the lower weight categories that are expected to be marketed in November, it may merely bring the available supply under current processing limits believed to be around 2.61 million head (compared to the 2.749 million head when running at 'full capacity'). The nearby lean hog futures gapped higher at the open this morning, subsequently adding approximately \$4.00 CAD/kg to the value of a forward contract in the November and December timeframe. Ongoing strength in the value of the cutout is supportive to the value of the lean hog index which is also counter seasonally high and will settle against the October contract in five days' time. This is important for the October contract as cash and futures need to converge at expiration. With no signs of cash letting up for now, it appears the October futures is being pulled upward by strength in the cash market. While October is not currently being used to forward contract against, December is, and the December contract, which also gapped higher this morning, is being positively influenced by the strength in the nearby. Deferreds are higher today as well, and February 2021 is getting some residual support, but the contracts further out are less optimistic.

US soymeal futures opened higher this morning. Strength in the US soybean complex continues today with a strong move higher over recent resistance levels and values over \$10.00 USD/bu now pushing into the September 2021 contract. While harvest pace is coming along at 10% above the five-year average (38% this week compared to 28% on average) there really does not appear to be any harvest pressure developing today. Strong exports continue to be supportive.

US corn futures opened higher this morning. Like beans, US corn is getting a boost this morning from ongoing residual strength in other commodities. The nearby contract is now trading in the upper \$3.80s USD/bu and broken through recent resistance as well as the 'high value' in March before it headed lower over the past six months. US corn harvested is pegged at 25% complete, 10% above last week and 1% better than the five-year average.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		147.63 150.69	147.63 149.04	143.77 153.89	156.48 159.54	158.31 164.43	163.96 172.81	168.03 179.80	182.39 191.10	185.88 191.81	178.98 189.81
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

