

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 8, 2020

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

US Slaughter

489,000 Wednesday
492,000 Year Ago

Daily Prices

WCB	\$63.39
National	\$77.45
Nat'l Cutout Adj	\$84.95
Signature 4	\$182.49
BP4/TCP4	\$182.49
HyLife Cash	\$193.76
HyLife Cutout	\$212.52

BoC Rate (Noon) prev. day
\$1.3275 CAD / \$0.7533 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. Cash markets are mixed with the negotiated markets (WCB) continuing to show signs of turning around lower while the formula regions maintain an upward trajectory, albeit with less intense of an upward slope. While cash has seen strength as far out as marketing week 44 in 2015 (i.e. the beginning of November), it did fall significantly over the next three weeks that year and was notably lower by December. While history does not dictate future events, it should be noted that all reporting regions (negotiated, formula and cutout-based) typically see significant pressure in the latter half of the fourth quarter in all years observed. Using today's values, the WCB, National, National cutout-adjusted and USDA cutout formula base prices have all dropped by 17%, 23%, 21%, and 17%, respectively, from 'current' levels to the end of the year. Again, that is not to say that cash markets *will* drop by these amounts by December, but seasonality and hog biology are still factors – the only unknowns are the amount of hogs in the pipeline and to what extent processors will be able to process them all. Today's export sales report showed net sales of 60,200 MT, 29,000 MT of which were committed to by China which itself would be considered good on its own; by way of comparison, the average *weekly* total is approximately ~31,000 MT. The market was expecting significantly less than that due to Chinese National Day Holiday disruptions, however, the holiday lasts from October 1 to October 8 so this might be a feature of pre-holiday buying. Next week's report will be watched closely although it is likely that report which will fall within the data catchment time period. Futures markets have subsequently rallied and the nearby contracts are at the highest levels seen since January. Other contracts are also showing significant strength. Of course, this is only one day of support and the market will be looking for evidence of follow through for current levels to be held. Regardless, today's rally has added value to forward contracts that were already considered to be 'fair value'.

US soymeal futures opened higher this morning. China committed to 1.538 MMT of the total 2.590 MMT beans recorded for week ending October 1 in this morning's export sales report. Physical sales were also China heavy, taking 1.385 MMT out of the total 2.068 MMT total. Beans continue their tack higher as of this writing.

US corn futures opened higher this morning. Like beans, US corn futures are maintaining the recent trend higher. 1.225 MMT in new commitments were made with Japan being the largest customer according to the export sales report released this morning. Mexico, traditionally the largest customer for US corn, came in second with 332,000 MT in new commitments.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		153.78 156.83	153.78 155.19	149.08 156.59	159.17 162.22	159.92 166.02	165.55 174.39	168.52 180.26	182.85 191.53	186.12 192.24	178.97 189.75
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

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