

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, October 9, 2020

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

US Slaughter

489,000 Thursday
489,000 Year Ago

Daily Prices

WCB \$66.23
National \$77.35
Nat'l Cutout Adj \$84.85
Signature 4 \$181.50
BP4/TCP4 \$181.50
HyLife Cash \$193.55
HyLife Cutout \$212.32

BoC Rate (Noon) prev. day
\$1.3220 CAD / \$0.7564 USD

Cash Prices Week Ending

October 10, 2020

Signature 4 181.58/82.36
h@ms Cash 179.58/81.46
HyLife Cash 193.45/87.75
HyLife Cutout 211.38/95.88
BP4/TCP4 179.85/81.58
OlyWest 2020 184.20/83.55
OlyWest 2021 (Cutout) 202.60/91.90

2020 Top-Up (YTD Rolling Est.)

\$18.44 CAD/ckg

ISO Weans \$27.26 US Avg.

Feeder Pigs \$41.47 US Avg.

Forward contract prices opened mostly lower this morning. US cash markets are mixed to finish the week and showing signs that a top may be developing. While the negotiated WCB region is \$2.84 USD/higher than previous day, and potentially trending slightly higher next week too, the National and National cutout-adjusted bases appear to be consolidating at current levels. Price action next week will be closely watched for signs of seasonality, which is to say, some softness heading into the autumn, but this year, almost anything is possible. Lean hog futures are trading in a mixed pattern; the nearbys were continuing yesterday's strength in the early morning session while the deferreds were lower at the open. As of this writing, all contracts are moving *lower*, and yesterday's rally will likely not be mirrored today. Yesterday's rally stemmed from a surprisingly high number in new export commitments that were near 50% higher than the average weekly volume seen since the beginning of the year. Of that, China committed to ~29,000 MT which is close to net all countries' volumes in a week on average seen so far this year (!). Markets reacted strongly, especially the nearby contracts that saw the December approach the daily limit-up value. During the course of the trade, however, the market moderated somewhat and while it settled higher on the day, it was lower than the early morning highs. Today, futures have not seen follow up interest as strongly, suggesting the premium on yesterday's China commitments has been priced in for now. The support seen over the past three weeks is not the same as the 2014 PEDv or 2019 China ASF speculation rallies. It reflects *three separate events* which are 1) the German pork ban announcement, 2) the reaction to the Quarterly Hogs and Pigs report, and 3) the surprising export sales number to China yesterday...so far. Further upside will likely be contingent on news showing a changing marketing environment and/or follow through commitments on the next export sales report. Substantial upside remains limited in the current environment with all shocks and externalities priced in for now. Indeed, all futures contracts are lower as of this writing. Strength in the CAD from a good employment report is keeping Canadian forward contract values in check.

US soymeal futures opened higher this morning. The October WASDE report will be released mid-trade today and has the potential to move markets depending on what is revealed in the report. Analysts' estimates ahead of the release show the market is expecting ending stocks to come in at 369 million bu. on average, which is lower than last month's 460 million bu estimate and represents an expectation on draw down mostly due to China demand.

US corn futures opened higher this morning. Like the bean market, US corn futures could be influenced by the WASDE report which is scheduled for release at 11:00AM. Analysts ahead of the report are expecting US corn ending stocks to come in at 2.113 billion bu on average against a range of 1.859 to 2.333 billion bu. and of which even the upper estimate is lower than the 2.503 billion in the September report.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		150.48 153.51	147.44 151.88	143.24 154.15	156.72 159.75	158.00 164.31	163.61 173.09	167.47 179.41	181.99 190.66	186.63 191.12	179.13 189.91
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

