

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, October 13, 2020

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

US Slaughter

2.730 mil. Monday
2.697 mil. Year Ago

Daily Prices

WCB	\$64.43
National	\$77.95
Nat'l Cutout Adj	\$84.88
Signature 4	\$181.74
BP4/TCP4	\$181.74
HyLife Cash	\$193.00
HyLife Cutout	\$210.17

BoC Rate (Noon) prev. day
\$1.3316 CAD / \$0.7613 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. Daily US cash prices used in the construction of Canadian base prices are higher to start the Canadian holiday shortened week, but other regions are coming in mixed. While there is still a moderate tack higher in the National (up \$0.60) and National cutout-adjusted (up \$0.03) regions, the profile of the slope is much less intense as is has been over the past four months. In other words, cash markets could be reaching upper bounds in the current marketing environment although there is no guarantee on that. To be clear, there is still a bias to the upside in relative terms, but that upside may be coming to an end as the market heads into the fall. Tomorrow the October 2020 lean hog futures contract expires and as market participants know, the futures must meet the CME lean hog index at expiration. Sometimes one of either cash, or futures, will move to meet the other approaching expiration and there is no way to know which market will do 'the moving'. For the October 2020 contract, however, futures were the one to meet the cash this year. Consistent demand, strong cutout values, and continued demand from processors pushed the lean hog index to \$78.14 USD/cwt (for October 9) resulting in cash prices that while not counter seasonal per se, are definitely higher than normally seen at this time of year for all reference regions. In sum cash has led futures for this contract. The October futures had no choice but to follow higher, resulting in an increase of approximately 63% when compared to the value of the contract in August (~\$47.85 at the low). The market will now look to the relationship between the December contract and the CME lean hog index later this week. The December contract is currently sitting at an approximate \$13 USD/cwt discount relative to the index. Does cash pull December up, or does seasonality pressure cash heading into the fall? That will be what all market watchers will be looking to for over the next eight weeks.

US soymeal futures opened higher this morning. The US soybean market saw some support on Friday following the release of the October WASDE report that showed ending stocks pegged at 290 million bu. against a pre-report expectation of 369 million bu. on strong China demand. But the market gave all of it back on Monday (US markets were open on Canadian Thanksgiving) on steady yield and talk that yields in some growing areas could come in above expectations.

US corn futures opened higher this morning. US corn futures followed beans higher on Friday despite a slight increase in the ending stocks number relative to pre-report expectations. The 2.167 billion bu. estimate was higher than the analysts' 2.113 billion, but still lower than last month's 2.503 billion bu. Like beans, the corn market saw some reversal in yesterday's session but is moderating as of this writing.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		146.61 147.54	143.58 148.01	139.38 151.49	154.99 157.08	156.69 162.99	162.29 170.92	165.50 177.38	179.94 188.56	183.40 189.02	176.26 186.96
Soymeal Del Wpg/S.Man	N/A										

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