

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, October 14, 2020

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

## US Slaughter

488,000 Tuesday  
489,000 Year Ago

## Daily Prices

WCB	\$65.20
National	\$78.00
Nat'l Cutout Adj	\$85.50
Signature 4	\$181.83
BP4/TCP4	\$181.83
HyLife Cash	\$193.15
HyLife Cutout	\$211.72

**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 \$34.96 US Avg.

Feeder Pigs \$40.82 US Avg.

## Forward contract prices opened mostly higher this morning.

Daily US cash markets are mixed with the negotiated WCB region up \$0.77, National \$0.05 lower, and the National cutout-adjusted reference higher by \$0.62 USD/cwt. The USDA cutout formula for week ending October 17 has already been constructed due to the way price determination is handled in Red Deer and is \$1.10 higher than week ago at the base level. The value of the pork cutout remains relatively high and is at the third highest level for this marketing week going back to the beginning when the USDA started reporting values this way in 2013; only 2013 and 2014 were higher. The USDA estimated last week's hog slaughter at 2.73 million head, a number that was previously not thought realistic with Covid-10 plant restrictions in place. There is no concrete consensus on slaughter capacity today, but the general estimate was for approximately 2.61 million under present restrictions. Packer demand, therefore, appears to be relatively healthy and some are willing to bid up in order to secure animals not on contract. For producers who are on contract, the value of the cutout is providing additional support – recall that even the non-cutout-adjusted formula has a 'basket' of animals priced off the cutout included in the construction. It is not as prominent as the cutout-adjusted base prices, but its influence is still there. Some technical reasons were cited for some of the weakness in the lean hog futures trade yesterday, but today, the market has made up for all of yesterday's losses. Other publications may highlight that current levels have not been seen since the beginning of the year, and that is correct. But the context is the trade had been near these levels for approximately two weeks, typically seesawing back and forth day over day. In short, the trade is rangebound for now with all recent externalities prices in. the markets could eke out another couple dollars, but a steady rally on supply or demand concerns is not a present concern. The net result is that base futures are approximately 7% higher than seasonal cash settlement prices, representing fair value in the current marketing environment. Prices could indeed go higher – they very well could amid the volatility – but it is very difficult to pick 'the top' in any marketing year, let alone this one.

## US soymeal futures opened higher this morning.

The pace of South American planting is currently under scrutiny but as many have noted, it is much too early to draw any conclusions from the pace. Soybean harvest in the US progressed by 38% last week coming in at 61% and against a pre-report expectation of 59%. Demand from China remains strong and the year to date purchase activity profile is looking more normal as compared to the years when the trade war impacts were revealing themselves.

## US corn futures opened mixed this morning.

US corn futures are trading in the mid-\$3.90s with May and July contracts just slightly over the \$4.00 USD/bu mark. US corn futures are making incremental gains following Monday's downturn. US corn harvested is pegged at 41% representing a weekly gain of 25%. Crop conditions were downgraded by 1% in the good/excellent category.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		153.10 154.03	150.07 154.50	145.39 155.64	158.20 161.23	159.55 165.84	165.14 173.91	168.01 179.89	182.45 191.07	185.94 191.53	178.68 189.39
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

