

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, October 16, 2020

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

US Slaughter

490,000	Thursday
492,000	Year Ago

Daily Prices

WCB	\$64.43
National	\$78.34
Nat'l Cutout Adj	\$85.84
Signature 4	\$183.98
BP4/TCP4	\$183.98
HyLife Cash	\$194.03
HyLife Cutout	\$212.61

BoC Rate (Noon) prev. day
\$1.3230 CAD / \$0.7559 USD

Cash Prices Week Ending

October 17, 2020

Signature 4	182.09/82.60
h@ms Cash	180.09/81.69
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	181.58/82.36
OlyWest 2020	184.20/83.55
OlyWest 2021 (Cutout)	202.60/91.90

2020 Top-Up (YTD Rolling Est.)

\$18.32 CAD/ckg

ISO Weans \$34.96 US Avg.

Feeder Pigs \$40.82 US Avg.

Forward contract prices opened mostly lower this morning. Daily US cash prices are showing strength to end the week. The negotiated WCB region almost completely made up for the previous day's losses in a pattern that has seen down days followed by up but maintaining a general tack higher. National and National cutout-adjusted base prices were both \$0.50 USD/cwt higher relative to the previous day. Weekly base prices are starting to show signs that 'a top' could be in for now; the WCB region was \$0.33 lower for the first time since week ending August 15. The weekly National is 'only' \$0.85 higher when the average has been \$3.42 over the past five weeks. National cutout adjusted is \$0.39 higher compared to the average \$3.64 weekly gain also over the past five weeks. USDA cutout-formula is up \$1.25 compared to the five-week \$3.47 average. When viewed on a chart, the WCB has reached a 'plateau' and the National, National cutout, and USDA cutout are leveling off. No downturn has yet materialized, and good cutout values combined with large weekly slaughters are keeping the bidding counter seasonally higher. The market will be watching with great interest to see how packers and producers fare in the coming weeks. Lean hog futures opened higher than yesterday's close but are turning downward as of this writing. The one-day delayed weekly Export Sales report revealed a 56% drop in the number of net new sales compared to week ago, but this was somewhat expected. Firstly: last week's numbers were notably higher than the recent trend and there is talk some of that volume was from previously unreported commitments that got attributed to that reporting period. Second, the data capture period for this week includes a time when China was on a national holiday that lasted for the majority of the catchment period. It would have likely been unusual to see a continuation of last week's volume when one of the major buyers was on holiday. In any event, the softness in the market cannot be directly attributed to this morning's export sales volumes. The market has simply priced in the most recent news (German pork ban, Quarterly Hogs and Pigs report, last week's export sales report) and has no rationale to move beyond the recent trading range. Forward contracts in Canadian dollars are considered fair to good value presently.

US soymeal futures opened mixed this morning. This morning's export sales report showed a continued strong demand with net sales up 2% from week ago coming in at 2.631 MMT. China continues to lead the charge taking 60.5% or 1.592 MMT. Physical deliveries were down 8% but still coming in at 2.834 MMT and 21% higher than the previous four-week average.

US corn futures opened higher this morning. New net sales of US corn came in at a disappointing 655,200 MT which is down 47% compared to week ago and well off the recent pace. The USA's number one customer, Mexico, still held first place, but only committed to 203,000 MT. Physical deliveries also lower, coming in at 815,000 MT or 13% lower than week ago. US corn continues to struggle with demand issues, broadly speaking.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		160.23 161.17	157.19 161.64	148.04 158.35	160.93 163.97	158.98 165.31	164.61 173.72	166.68 178.64	181.22 189.90	184.62 190.37	177.12 187.91
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

