

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, October 19, 2020

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

## US Slaughter

2.688 mil. Last Week  
2.723 mil. Year Ago

## Daily Prices

WCB	\$63.27
National	\$77.74
Nat'l Cutout Adj	\$85.24
Signature 4	\$182.04
BP4/TCP4	\$182.04
HyLife Cash	\$193.88
HyLife Cutout	\$212.58

**BoC Rate (Noon) prev. day**  
\$1.3192 CAD / \$0.7580 USD

## Cash Prices Week Ending

October 17, 2020

Signature 4	182.09/82.60
h@ms Cash	180.09/81.69
HyLife Cash	193.35/87.70
HyLife Cutout	211.67/96.01
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 \$36.69 US Avg.

Feeder Pigs \$44.37 US Avg.

**Forward contract prices opened mostly lower this morning.** All eyes will be on US daily cash market movements, perhaps even more-so than normal, as a top appears to be developing in all US cash reporting regions. Daily WCB, National, and National cutout-adjusted were all lower to start the week. The careful observer will note that the \$1.16, and \$0.60 move lower today for WCB and the two National variants, respectively, merely offsets the gains made in the Friday reports. However, what is different today is that the daily values are lower than the weekly settlement and the trend appears to be levelling off. If base prices for week ending October 24 are lower than week ago, it will be the first time since the market saw a brief plateau in early August and early September. All participants know that seasonality traditionally starts to pressure at this time of year, but 2020 has been anything but a normal marketing year. An answer to the slaughter capacity issue also appears to be developing. Earlier, it was suggested that 2.61 million head per week would be considered the 'new normal' in a Covid-19 adjusted slaughter schedule. But two weeks ago, over 2.7 million were processed. Last week's level came in at an estimated 2.688 million head, higher than the 2.61 million and right around that 2.7 million benchmark. But the interesting thing to note is that after the Labour Day long weekend, this year's levels are hovering around the year-ago pace and in fact 2.5% lower than year-ago in the period following Labour Day. It is much too early to make a prediction on slaughter capacity for the remainder of the year, but last year's pace did not really start to eclipse 2.7 million until about the end of November. The supply side is still very uncertain as the most recent Hogs and Pigs report was considered controversial in the heavier weight categories. But if the 3.6% lower estimate in lighter marketings is realized, it may only mean that slaughter capacity is not reached, which would likely be price supportive. Lean hog futures are mixed to lower to start the week. The December contract saw some volatility, rallying just after the Chicago open but giving back about half of the early morning gains as of this writing. An exceptionally wide spread between the nearby contract and the lean hog futures index is having an influence on the December futures. The remainder of the contract offerings are under pressure this morning, but relative value is still present for Canadian forward contract values.

**US soymeal futures opened higher this morning.** US soybean futures are trading above \$10.00 USD/bu out to the September 2021 contract on continued evidence of strong export demand led by China. The nearby contract has seen a steady rise in value since the middle of August and is now trading at \$10.52 compared to the \$8.60s on August 10. However, the top could be in place for now; prices have moderated since October 12 and appear to be consolidating at current levels.

**US corn futures opened higher this morning.** US corn futures are trading over \$4.00 USD/bu out to the July 2021 contract and like beans, have seen steady support that started in the middle of August. Derecho damage was priced in immediately after the storm hit but as series of tightening stocks reports from the USDA has provided some rationale for the move higher. On August 10, the nearby contract was trading in the \$3.20s; it is \$4.04 USD/bu as of this writing or a 26% increase since the summer.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		164.53	161.19 165.63	147.27 157.54	160.10 163.14	155.74 162.04	161.34 170.39	163.54 175.46	178.03 186.67	181.58 187.14	174.52 185.28
Soymeal Del Wpg/S.Man	N/A										

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