

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, October 21, 2020

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

US Slaughter

488,000	Tuesday
487,000	Year Ago

Daily Prices

WCB	\$65.01
National	\$78.81
Nat'l Cutout Adj	\$86.31
Signature 4	\$183.79
BP4/TCP4	\$183.79
HyLife Cash	\$195.58
HyLife Cutout	\$214.20

BoC Rate (Noon) prev. day
\$1.3138 CAD / \$0.7611 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 mixed this morning. US cash markets are maintaining value at present levels and the daily reference prices in USD/cwt are once again higher. Hogs in the negotiated WCB market are up \$1.38 while the two National base variants are both \$0.80 USD/cwt higher relative to the previous day. Due to price discovery methodology in Red Deer, the US base price for week ending October 24 is already known and \$1.54 higher than week ago. How long will this last? The most likely answer to that is a vague one, but basically, so long as demand for pork from the packers remains good. This year is a bit more challenging in determining seasonal demand, however. Looking in the past, and no matter what the price level was at the time, all markets typically start to show some weakness in the next couple weeks. In fact, on average, all cash markets see a softening of prices, consistently, by marketing week 46 which for this year would be week ending November 14, less than a month away. Again, 2020 has been anything but normal, so all eyes will be closely watching for clues on direction. Lean hog futures are mixed with the nearbys showing some strength while the deferreds are still trading under pressure from yesterday. The pressure that developed yesterday was, as hypothesized here, to be a function of talk that Germany could be working on a deal with some Asian countries (Japan and South Korea, for example) on a regionalization principle agreement or some other deal that would see Germany regain some market access to the region following an ASF outbreak amid the wild boar population. The chatter has moved markets because Germany is the largest pork producer in the European Union and has a significant export footprint in Asia. In sum, the recent volatility is a function of speculation and some 'pricing in' activity will likely be a feature of the futures market until such time more certainty is revealed. In the meantime, Canadian forward contracts are slightly above benchmarks on average and would be considered fair value, although not at the higher levels seen earlier. Trend is called sideways with a bearish bias in the short term until the next round of news which could develop tomorrow after the weekly Export Sales report is released.

US soymeal futures opened higher this morning. US soybean futures are maintaining their strength and are once again on an upward trajectory after seeing a bit of softness on Friday. For the third consecutive day, bean futures are trading higher. Good demand from China is underpinning the majority of the support. In other news, Brazil announced it will drop import tariffs on corn and beans from non-Mercosur (South American free trading bloc) countries and talk that Brazil could run out of beans before next harvest due to exceptional demand from China.

US corn futures opened higher this morning. Like beans, US corn is trading higher for the third consecutive day this week with all contracts out to December trading above \$4.00 USD/bu. The news that Brazil is dropping the import tariff on non-Mercosur countries exporting into Brazil is providing additional support, but as there is nothing 'on the water' yet, so the move is mostly speculative in nature.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		159.85	156.83 161.25	141.67 152.64	154.46 157.48	150.58 156.85	156.15 165.10	159.44 171.31	173.86 182.47	177.35 182.94	170.60 181.31
Soymeal Del Wpg/S.Man	N/A										

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Some Important Phone Numbers

Main Office: 204-233-4991

Toll Free: 1-800-899-7675

Logistics: 204-235-2225

Risk Management: 204-235-2237

STRENGTH IN NUMBERS

