

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 22, 2020

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

## US Slaughter

492,000	Wednesday
493,000	Year Ago

## Daily Prices

WCB	\$65.59
National	\$78.36
Nat'l Cutout Adj	\$85.86
Signature 4	\$182.51
BP4/TCP4	\$182.51
HyLife Cash	\$194.05
HyLife Cutout	\$212.63

**BoC Rate (Noon) prev. day**  
\$1.3122 CAD / \$0.7621 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.** The negotiated WCB reporting region continues to hold value and came in at \$65.59 USD/cwt for the reporting period yesterday, essentially tied with second highest value for the weekly average in this marketing week (2017 was \$65.26). The weekly average base will likely be slightly lower when determined tomorrow, but the values are notable. The two National variants were both down \$0.45 relative to the previous day but commentary on direction heading deeper into the fall is not in consensus. Some talk yesterday that some softness in the value of the cutout could be hinting at things to come, and that there may be a 'top' developing at current levels. But the value of the cutout is presently at the highest values for this marketing week since the USDA started reporting on the primals in the 'new' way that began in 2013. Net value of the carcass is presently at \$98.16, but because the cash markets have also followed suit somewhat, the gross packer margin is not nearly as wide as it was at the beginning of the Covid-19 when a run on the meat case and reduced processing created a situation that saw wholesale pork prices soar at the same time US producers were being prevented from delivering, pressuring the live hog price and widening the spread. In any event, carcass value is still notably high and coming in at the second highest level back to 2013. Lean hog futures have lost some of the early optimism seen in the previous weeks and the nearbys are sharply down in the early morning trade. As mentioned in previous issues, ideas that Germany is in talks with some Asian nations to re-gain market access is weighing on the trade as Germany is the number one pork producer in the EU with a substantial export profile. As well, there is talk this morning that the above-mentioned softness potentially developing in the value of the cutout (and cash) could be a sign of things to come. Seasonally speaking, all cash markets typically see some weakness heading into November, but it is likely not a good idea this year to benchmark against historical trends. Furthermore, this morning's Export Sales report showed new net commitments of pork to all export partners at 26,800 MT, essentially equal with last week but 35% off the previous four-week average pace and well off the ~60,000 MT seen three weeks ago. China only committed to a modest 3,700 MT which is considered a disappointment as is the level of new commitments from all export partners. Markets have pushed lower over the past three sessions on increasingly bearish news developments.

**US soymeal futures opened higher this morning.** The weekly Export Sales report released before trading opened this morning showed new net sales of beans coming in at 2.225 MMT for week ending October 15, 1.22 MMT of that (or ~55%) committed by China. Physical deliveries were recorded at 2.516 MMT with China, again, taking the majority of the volume.

**US corn futures opened higher this morning.** Net export sales of US corn came in lower for week ending October 15 at 1.831 MMT which was up from the previous week and 21% higher than the prior four-week average. Japan took the largest share at 490,000 MT. Mexico, typically the largest US corn customer, came in third behind Japan and China (433,500 MT). Physical deliveries were up 10% from the previous week at 898,000 MT with china taking 364,000MT.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		152.24	149.21 153.64	137.37 147.63	150.20 153.23	148.21 154.51	153.81 162.74	158.35 170.26	172.82 181.46	177.61 181.93	169.99 180.71
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

