

Hog Margin Outlook

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Friday, October 23, 2020

For details call: (204)235-2237 or visit
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US Slaughter

492,000 Thursday
488,000 Year Ago

Daily Prices

WCB	\$62.58
National	\$78.38
Nat'l Cutout Adj	\$85.88
Signature 4	\$182.83
BP4/TCP4	\$182.83
HyLife Cash	\$193.87
HyLife Cutout	\$212.42

BoC Rate (Noon) prev. day
\$1.3142 CAD / \$0.7609 USD

Cash Prices Week Ending October 24, 2020

Signature 4	182.69/82.87
h@ms Cash	180.69/81.96
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	182.09/82.60
OlyWest 2020	184.90/83.87
OlyWest 2021 (Cutout)	207.00/93.89

2020 Top-Up (YTD Rolling Est.)
\$18.22 CAD/ckg

ISO Weans \$36.69 US Avg.

Feeder Pigs \$44.37 US Avg.

Forward contract prices opened mostly lower this morning.

US cash markets are mixed to finish the week with the negotiated WCB region \$3.01 lower relative to the previous day while the two National variants are a modest \$0.02 USD/cwt higher. Weekly base prices in USD/cwt for week ending October 24 are likewise mixed with the WCB down for the third consecutive week in a row while the upward trajectory for the National region is incrementally slowing down over the same time period. The two cutout-based prices, National cutout-adjusted and USDA cutout formula, are slightly higher than week ago due to the strength in the value of the carcass which is presently at the second highest value since the new report was developed in 2013; only 2014 was higher. Commentary by the professional market watchers, however, appears to be sending a message that cash markets could be poised to make a move lower in the coming weeks. This, of course, is by no means guaranteed as 2020 has been an extraordinarily atypical marketing year, but the upward trend does in fact appear to be losing momentum. The only question is if these levels hold or if a more seasonal decrease is to be borne out. Lean hog futures moved sharply lower yesterday with the nearby December contract closing at the daily limit low. The previous day also saw some pressure. What's happening? On Tuesday, ideas that Germany was attempting to gain market access to some Asian nations following the pork ban by those same countries was making the rounds. By Wednesday, the market was pricing in the 'news' as some headway by Germany was rumored. Yesterday, the market moved sharply lower after a relatively poor export sales report was released before the market opened revealing some very disappointing new commitments from China. With China off the previous week's holiday, there was some expectation that higher volumes would be realized, but that was simply not the case. So, German pork potentially 're-enters' the global marketplace and China appears not to be in any panic to shore up supplies – as an aside, the pork price in China is also recently dropping suggesting either officials are successful in managing supplies, or consumers have shifted buying patterns somewhat. Either way, the market is sensitive to changes in new developments and there is no clear trend higher or lower at present.

US soymeal futures opened lower this morning.

US soybeans are trading lower to finish the week and consolidating at current levels. All contracts out to September 2021 are still above \$10.00 USD/bu, though, and contracts out to July 2021 are trading above \$10.50. There is talk managed money is playing a role in the support at the funds have been net buyers recently. Brazil and Argentina are seeing some tightening with old crop and ideas that China's demand (also for meal where higher hog numbers are estimated) is underpinning the support.

US corn futures opened mixed this morning.

US corn futures are mixed to finish the week with the nearbys trading with some strength while the deferreds are showing some weakness. The nearby support comes from an announcement yesterday that will see China increase the tariff rate quota (TRQ) of which the state-owned enterprise Cofco could see and additional 5MMT in its purchases. Mexico is still the number one US corn customer but the additional Chinese TRQ volume would place China within ~6 MMT Mexico's 18.3 MMT.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4		151.24	148.20 152.64	136.20 146.46	149.03 152.06	147.56 153.86	153.16 162.02	157.71 169.61	172.17 180.81	176.12 181.27	169.82 180.55
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

