

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, October 26, 2020

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

## US Slaughter

2.679 mil.	Last Week
2.690 mil.	Year Ago

## Daily Prices

WCB	\$61.04
National	\$78.11
Nat'l Cutout Adj	\$83.93
Signature 4	\$182.19
BP4/TCP4	\$182.19
HyLife Cash	\$193.51
HyLife Cutout	\$207.90

**BoC Rate (Noon) prev. day**  
\$1.3140 CAD / \$0.7610 USD

## Cash Prices Week Ending

October 24, 2020

Signature 4	182.69/82.87
h@ms Cash	180.69/81.96
HyLife Cash	194.20/88.09
HyLife Cutout	211.96/96.14
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 \$37.75 US Avg.

Feeder Pigs \$45.05 US Avg.

## Forward contract prices opened mostly mixed this morning.

US cash markets are starting marketing week 44 off on a lower note in what is the first week of the second month in the fourth quarter according to the accounting calendar. The negotiated WCB region is down by \$1.54, the National is \$0.27 lower, and the National cutout-adjusted base reference price is down \$1.95 due to some weakness developing in the value of the carcass. Primal cuts were mixed on Friday, but hams and bellies saw large decreases and came in lower by \$12.71 and \$17.02, respectively relative to the previous day. The weekly price for week ending October 24 was subsequently lower than previous week when averaged as the whole carcass. The daily report will be watched closely to see if this becomes a wider trend. Typically, carcass values decrease as a trend heading into the end of the year – the average value of the carcass over the last five years in marketing week 52 is \$75.08 USD/cwt (range: \$69.47-\$81.79). Last week's average cutout value was \$93.25. Of course, 2020 has been anything but a normal marketing year, and there are still a number of unknown factors in the marketplace. For example, there is no consensus among industry participants how many hogs will be available for processing in the near term and the official numbers from the USDA were highly criticized when the Quarterly Hogs and Pigs report came out at the end of September. As well, there is still some question on the processing capacity in the industry although processing capacity appears to be revealing itself slowly. Weekly slaughter came in at 2.679 million head, 3.4% lower than last week and 1.3% lower than week ago. The trendline has been less than 2% lower than last year over the past five weeks and less than 1% when averaged out. In short, current slaughter capacity is trending almost completely in line with last year's pace suggesting current capacity is near the 2.7 million level. The market will be waiting to see if capacity moves beyond 2.7 million head – it did last year, but only six times, three of which in the month of December alone. Lean hog futures are mixed to lower to start the week and there is a bearish tone in the market at present. Broadly speaking, futures values moved lower all last week, reversing the previous week's tack higher. Recent news is priced in for now.

## US soymeal futures opened lower this morning.

While the US soybean futures market has seen consistent upward momentum since the middle of August, soybean futures are lower this morning and potentially defining a top for now. Bean futures have seen an approximate 24% increase in value over the past two and a half months mostly on strong export sales, but also some decreasing domestic production and ending stocks estimates. Crop Progress report released later today is expecting harvest to come in at 87% compared to 75% last week and a 73% five-year average.

## US corn futures opened lower this morning.

Like beans, US corn futures are also starting the week off on a lower note, but not before seeing a 30% rally in value since August (December contract). While US corn has been struggling to find a positive demand story, derecho damage in Augusts and lowering domestic production estimates have been providing underlying support. Export sales have picked up recently, adding to the momentum, but commitments will have to be translated into actual deliveries if values are to hold. Market is looking for harvest to come in at 73% in today's Crop Progress report (50% five-year average).

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4			146.28 150.73	134.89 145.18	147.12 153.44	147.12 153.44	152.74 161.57	157.87 169.80	172.37 181.02	176.12 181.49	170.29 181.01
Soymeal Del Wpg/S.Man	N/A										

This bulletin is intended as a marketing tool for subscribed members only. Prices are not quotes and all pricing is subject to verification. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

follow us @hamsmarketing  


## 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

