

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, October 27, 2020

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

US Slaughter

492,000	Monday
491,000	Year Ago

Daily Prices

WCB	\$62.57
National	\$77.67
Nat'l Cutout Adj	\$82.67
Signature 4	\$182.00
BP4/TCP4	\$182.00
HyLife Cash	\$192.38
HyLife Cutout	\$204.77

BoC Rate (Noon) prev. day
\$1.3201 CAD / \$0.7575 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 higher this morning.

US cash markets are mixed with the negotiated WCB region up \$1.53, the National lower by \$0.44 and the National cutout-adjusted base price down \$1.26 USD/cwt. The USDA cutout formula price is established for the week on Mondays and is \$82.82 USD/cwt for week ending October 31, or \$0.04 lower relative to the previous week. While it does initially appear that a cash top could be developing, there are some very mixed signals present. On the one hand, last week's Cold Storage report revealed that pork in cold storage was essentially even with month ago; about 20% lower than year ago. Hams by themselves were 25% lower than year ago meaning the recent support seen in that primal makes sense intuitively. But bellies, which came in 39% lower than year ago, suggesting that throughput is good, and stocks need to be built up, have seen double digit losses over the past couple days. This is counterintuitive to what the available supply of bellies suggests, although with bacon as a popular restaurant item (by itself, as a 'garnish', or other ingredient), the lack of interest in bellies at the wholesale level in a Covid-19 marketing environment (i.e. that many restaurants and foodservices are operating at reduced capacity), it could follow logically. In any event, there is a lot of uncertainty present, and cash markets are as unpredictable as ever. Lean hog futures, meanwhile, have made a bit of a recovery this morning and are attempting to regain the step losses that were seen last Thursday. The best forward contracting opportunities in recent memory were present the last two weeks prior, with a run-up that began week ending September 5. Futures are not at those levels today despite the early morning strength and the trade has already moderated from the initial move seen in the early morning session. There are a number of articles surfacing in the industry with all commentators suggesting (in varying degrees) that producers are current, there is not a large backlog other than regional ones, sow slaughter facilities are looking for supply, and that some upside is potential in the summer months. The idea that summer upside is possible is not a crazy idea; indeed, June and July contacts are 2% below seasonal cash benchmarks and August is only 2% higher. If there is a tightening of supply due to sow shortages and other issues, there will likely be some more strength when pigs are marketed at that time. But, 'how much higher?' is the real question and not even the full-time forecasters have a good handle on that.

US soymeal futures opened mixed this morning.

The US soybean market started the early morning session off on a higher note, but as of this writing, all futures contracts are moderately lower than yesterday's close. Good export demand and lowering ending stocks estimates continue to provide support – there is also a technical aspect to the trade which sees the futures back off after exceeding oversold levels, which happened this morning. Crop progress is estimated at 83% harvested compared to a 73% five-year average. The pre-report expectation was 87%.

US corn futures opened mixed this morning.

US corn futures continue an upward trendline despite some weakness that developed yesterday. Like beans, export sales commitments and expectations are providing support. The corn market has ventured into over-sold territory today, so further upside could be limited for the session; the market has moderated as of this writing but still maintains a supportive tone. The US corn crop is estimated to be 72% harvested compared to a 56% five-year average. The pre-report expectation was 73%.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4			152.28 156.72	139.49 149.77	152.34 155.38	149.19 155.49	154.79 163.77	159.45 171.37	173.94 182.59	178.26 183.05	172.25 183.02
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

