

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, October 28, 2020

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

US Slaughter

492,000	Tuesday
492,000	Year Ago

Daily Prices

WCB	\$63.13
National	\$76.78
Nat'l Cutout Adj	\$79.95
Signature 4	\$179.41
BP4/TCP4	\$179.41
HyLife Cash	\$191.06
HyLife Cutout	\$198.94

BoC Rate (Noon) prev. day
\$1.3164 CAD / \$0.7596 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 lower this morning.

US cash markets are mixed with the WCB up \$0.56, National down \$0.89, and the National cutout-adjusted base price lower by \$2.72 USD/cwt relative to the previous day. Weakness in the two National variants is a function of some weakness in the net value of the carcass that came in \$3.03 lower, led by hams which saw a one-day \$10.86 drop. The traditional National price includes a basket of hogs priced off cutout values, hence the move lower. But cutout-based pricing will be more sensitive to moves in the value of the carcass which is why we see the National cutout-adjusted and USDA cutout formula bases in USD/cwt move the way they are today. The negotiated WCB region continues to see some support suggesting that packers are motivated to keep bidding for uncommitted hogs. This idea supports the notion that the earlier perceived 'back up' of animals has likely been worked through and there is a growing consensus that other than regional issues particularly in the east, there really is not much of backlog, if any, in the present marketing environment. To be clear, at the outset of the Covid-19 plant disruptions, significant numbers of animals did back up on the live hog side of the processing chain which is why cash markets collapsed earlier. But hog farmers adapted and made some tough decisions while packing throughput ramped up at a quicker pace than most industry watchers were expecting. It remains to be seen if packers continue to bid higher to keep hooks full. The USDA estimated about 3% less hogs would be available near November, but the same report also estimated a 10% increase over year ago for hogs estimated last month – a number almost everyone in the industry did not accept as accurate – likely because of decisions being made on the ground in a highly dynamic environment and the subsequent timing lag that developed in the reporting. Lean hog futures are lower this morning with the nearby contract giving up all the gains that were made two sessions ago. Futures continue to seesaw back and forth but are essentially in a range bound pattern today. If technical levels hold, the market will likely see some support at the end of this week. There really is no news present to push markets significantly higher today. However, the trade will be looking to the weekly Export Sales report tomorrow for clues on direction. The past two reports have revealed that physical deliveries remain strong, but new commitments have been a bit of a disappointment recently.

US soymeal futures opened lower this morning.

Recent support in the bean complex has been a function of good export volumes but also on the idea that Brazil might hold back some product for domestic use. The exceptionally high demand from China has ushered in talk that Brazil may even run out of beans for domestic usage ahead of the 2021 harvest. Markets continue yesterday's reversal lower, however, on talk managed money may be moving to the sidelines on 'second wave' Covid-19 uncertainty.

US corn futures opened lower this morning.

Like beans, US corn futures continue to trade lower, but for the third consecutive session this week. Managed money is also influencing here on similar concerns in the bean complex regarding future demand in a 'second wave' Covid-19 marketing environment. Today's EIA ethanol report will be closely watched for further clues on direction. US corn futures are down notably as of this writing.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4			148.95 153.44	136.92 147.31	149.91 152.98	148.25 154.63	153.92 162.68	159.14 171.17	173.77 182.49	176.30 182.96	170.51 181.25
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

