

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 29, 2020

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

Forward contract prices opened mostly lower this morning.

Daily US cash markets are all lower with WCB down \$0.85, National \$0.80 lower, and the National cutout-adjusted reference price down \$3.86 USD/cwt. US base prices with a distinct cutout component are much lower due to weakness surfacing in the value of the carcass. Daily ham values have more or less held at current levels since the end of September; so too have picnics, but the remainder of the primal cuts have come under recent pressure. Yesterday's National Daily Hog and Pork Summary revealed ribs and bellies were down by double digits - bellies were particularly hard hit with a whopping \$22.31 drop on the day. The drop in bellies is somewhat curious considering the most recent cold storage report showed comparatively low belly stocks which would normally be a sign of good demand on the pork side, and potentially, that inventory would be built up in the near future. However, there is also a seasonal component to bellies which typically sees some pressure around this time of year from a trend analysis perspective. Could this recent drop merely be an exaggeration of seasonality exacerbated by Covid-19 demand concerns, or is something else afoot? There is no clear answer to this question presently, and bellies are a volatile primal more generally, but the impacts on price are being felt nevertheless. In aggregate, all cash markets are pushing lower this week as a broader trend. It is too early to call it a reversal today, but if the pressure is maintained, cash markets may have already defined the top for the autumn. Lean hog futures are likewise lower and this morning's Weekly Export Sales report is likely, in part, responsible for the pressure. While physical deliveries remain at levels seen since the end of May (37,142 MT for week ending October 22; 33,255 MT on average since end of May), new net sales have been sorely lacking over the past three reports. Net sales came in at 28,971 MT, 3.7% higher than previous reporting period, but notably off the recent pace and no where near the 60,195 MT seen four weeks ago. Exports need to remain strong for present values to hold and the net sales number in this morning's report is simply not high enough for sustaining optimistic futures values. China only committed to 2,500 MT for the reporting period - a far cry from the ~29,000 MT seen four weeks ago and what is likely needed from them to provide rationale to move futures higher. Amid all this, second wave Covid-19 fears prompting domestic demand uncertainty and the upcoming US election next week are also weighing on the trade.

US soymeal futures opened mixed this morning. This morning's export sales report showed strong demand for US beans that once again pushed passed the 2 MMT mark at 2.696 MMT representing the largest volume for this marketing year and the highest volume since autumn of 2016. Net sales were less impressive coming in at 1.620 MMT and maintaining trend lower seen over the past four weeks. US beans are mixed on the 'lower' new commitments and a general 'risk off' sentiment in the market presently.

US corn futures opened higher this morning. Physical deliveries of US corn are maintaining a seasonal pattern. This morning's report showed 734,183 MT were shipped which is about 14% higher than the five-year average seen for the reporting period. New net sales came in at an impressive 2.243 MMT which is notably higher than the five-year average for this marketing week. The largest customer, identified on the report as 'unknown destinations' and which almost everyone believes is China, took 763,700 MT. Mexico and Japan rounded out the top three committing to 496,800 MT and 483,200 MT, respectively.

US Slaughter	
492,000	Wednesday
476,000	Year Ago
Daily Prices	
WCB	\$62.28
National	\$75.98
Nat'l Cutout Adj	\$76.07
Signature 4	\$179.40
BP4/TCP4	\$179.40
HyLife Cash	\$188.54
HyLife Cutout	\$188.76
BoC Rate (Noon) prev. day \$1.3302 CAD / \$0.7518 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.	

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4			145.74 150.24	133.95 144.38	146.98 150.06	145.56 151.96	151.25 160.20	156.89 169.27	171.88 180.64	175.68 181.12	169.94 180.79
Soymeal Del Wpg/S.Man	N/A										

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STRENGTH IN NUMBERS

