

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, October 30, 2020

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

US Slaughter

492,000	Thursday
492,000	Year Ago

Daily Prices

WCB	\$61.80
National	\$75.40
Nat'l Cutout Adj	\$78.81
Signature 4	\$178.65
BP4/TCP4	\$178.65
HyLife Cash	\$189.05
HyLife Cutout	\$197.62

BoC Rate (Noon) prev. day
\$1.3302 CAD / \$0.7518 USD

Cash Prices Week Ending

October 31, 2020

Signature 4	180.32/81.79
h@ms Cash	178.32/80.89
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	182.69/82.87
OlyWest 2020	184.70/83.78
OlyWest 2021 (Cutout)	206.40/93.62

2020 Top-Up (YTD Rolling Est.)

\$18.14 CAD/ckg

ISO Weans \$37.75 US Avg.

Feeder Pigs \$45.05 US Avg.

Forward contract prices opened mostly higher this morning.

Daily US cash markets are mixed to finish the week. The negotiated WCB region is down by \$0.48, the National reporting region is \$0.58 lower, and the National cutout adjusted base is up \$2.74 USD/cwt on some daily strength in the cutout. The net increase in carcass value yesterday was led by hams which were \$14.24 higher leading to a change in net primal value of \$3.05. While the cutout price turned higher in the report yesterday, the overall trend is moving lower this week. Bellies, ribs, butts, and loins are under pressure and the daily belly primal is ~32% lower than the week ago reference; the primals noted above will almost certainly be lower, as will the net value of the carcass, when the weekly averages are determined. Weekly cash base pricing for week ending October 31 is also lower. The WCB is down \$1.85, National is \$1.48 lower and the USDA cutout formula used in Red Deer is down \$0.04 – when the National cutout adjusted reference will be determined later today, it will likely reveal a move of over \$5.00 USD/cwt to the downside. The movement of the daily pricing that will influence next week's bases suggests cash markets are poised to start a 'seasonal' move lower. Of course, there is a lot of noise in the marketplace presently and nothing in this marketing environment is certain this year, but seasonality still applies to a certain degree and all participants are eager to see where the domestic demand profile ends up. Second wave Covid-19 concerns and a potential resumption of stricter person movements (thus a potential negative influence on aggregate demand) is a concern today. Lean hog futures are higher this morning, but they still have a way to go to make up for the losses seen last Thursday when the nearby contract moved to limit low over the course of the session. Today's move higher could be considered more technical in nature - the market really has no fundamental news to draw on to influence it in one direction or another with any intensity. Regardless, the market is very sensitive to the headlines and the pressure that developed this week was a function of two events that removed some of the earlier premiums being priced in two weeks ago. Notably, ideas that Germany is working with Asian partners to resume market access and lackluster new net export sales were key drivers. In the meantime, futures values on average are essentially equal with their cash settlement historical counterparts to finish the week – definitely better than what was seen over the summer, but not nearly as good as a couple weeks ago.

US soybean futures opened higher this morning. Following three straight sessions of losses, US soybean futures are turning higher to finish the week. Like other commodities this week, the trade has a bit of a way to go to make up for the losses in earlier sessions, but all contracts out to August 2021 are still above \$10.00 USD/bu as of this writing. Good export demand, some regional dryness in South America, and some perennial striking in Argentina is providing underlying support.

US corn futures opened mixed this morning. The December corn futures contract continues to push lower but the deferred contracts are showing some strength to finish the week. Wednesday's ethanol report showed that while barrel production was down 11% compared to same week year ago, it was up 3% relative to last week and the largest since September. Decent exports are also supportive.

FC Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4			149.42 153.91	137.65 148.03	150.62 153.69	148.38 154.75	154.04 163.29	159.51 171.56	174.16 182.90	178.70 183.38	173.26 184.13
Soymeal Del Wpg/S.Man	N/A										

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