

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, November 3, 2020

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

Forward contract prices opened mostly mixed this morning. US cash markets are mixed but there appears to be a bias to the downside developing, coincidentally enough, at approximately the same time that softness seasonally starts to materialize in the non-cutout referenced cash markets on average. While National cutout-adjusted price was higher by \$0.31 USD/cwt relative to the previous day, its value is still lower than last week's settlement base; the National price is \$0.61 lower. The USDA cutout-formula base price is determined on Mondays and has come in at \$76.82 USD/cwt for week ending November 7 representing a \$6.00 drop relative to the previous week. The move lower is the biggest one week drop since the summer and the fourth largest since the initial Covid-19 plant disruptions. On that note, that the National cutout-adjusted base price likewise saw the largest week over week drop since June and the third largest move lower since Covid-19 disruptions at \$6.12 USD/cwt for week ending October 31. Due to different price discovery methodologies, it appears as if the USDA cutout formula is 'leading lower', but it is actually on pace with the other cutout variant; USDA cutout formula is determined using a similar data set, but reported 'one week ahead'. Regardless, if the trend remains, cash markets discovered the top in marketing week 43, or two weeks ago. There is a lot of time left in the marketing year and a lot of uncertainty on the horizon – nothing is guaranteed. But ongoing softness in the value of the daily cutout is pressuring formula prices where the value of the carcass has a larger influence. Whereas the cutout-based prices were approximately 20% higher than benchmarks last week, the daily premium is now only hovering around 10% for the cutout variants. The negotiated WCB region continues to seesaw day over day but has come under some recent pressure witnessing a one day \$1.64 move lower for the reporting period yesterday. Lean hog futures started the session off with some strength but have moderated as of this writing. Using the April futures as a proxy for 'the market', one can observe that premium that was priced in over five weeks between the middle of September and October 19 has all but completely been reversed. 'Nine-month' forward contracts have lost approximately \$13.00 CAD/ckg since the correction that developed two weeks ago.

US soymeal futures opened higher this morning. Market watchers are predicting some volatility in the futures markets (and all asset classes) as the US Presidential election gets underway today. The tone has switched from 'risk off' to 'risk on' as traders attempt to position themselves ahead of what could be some volatile sessions over the next couple days. Fundamentally, US soybeans remain supported on good demand and news that Brazil is taking delivery of US beans as the country could experience a domestic shortage ahead of their 2021 harvest. On that note, US harvest came in at 87% complete against an 83% five-year average in yesterday's Crop Progress report.

US corn futures opened higher this morning. The USDA estimated crop progress at 82% complete as of Sunday, November 1, a 10% increase over week ago and 13% over the 69% five-year average. The advancement of the crop could be a function of less crop to harvest following the derecho damage seen in August, but a private analytics firm still places yield at 179.8 bpa for a total US production of 14.762 billion bu which would be among the top five production years compared to October WASDE estimates.

US Slaughter	
493,000	Last Week
492,000	Year Ago
Daily Prices	
WCB	\$60.21
National	\$73.24
Nat'l Cutout Adj	\$75.73
Signature 4	\$172.33
BP4/TCP4	\$172.33
HyLife Cash	\$184.28
HyLife Cutout	\$190.11
BoC Rate (Noon) prev. day \$1.3257 CAD / \$0.7543 USD	
Cash Prices Week Ending October 31, 2020	
Signature 4	180.32/81.79
h@ms Cash	178.32/80.89
HyLife Cash	189.37/85.90
HyLife Cutout	195.97/88.89
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 \$38.82 US Avg.	
Feeder Pigs \$47.19 US Avg.	

FC Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4	144.98 149.40	132.63 142.87	145.43 148.45	143.64 149.92	149.22 158.08	154.83 167.04	169.60 178.21	176.22 178.81	170.94 181.74
Soymeal Del Wpg/S.Man									

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.