

Hog Margin Outlook

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Friday, November 6, 2020

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Forward contract prices opened mostly higher this morning. Daily US cash markets are mixed to finish the week. The WCB negotiated region monitored as a proxy for uncommitted hogs was down by \$1.16 USD/cwt relative to the previous day and maintaining the trend lower that has been in place since the beginning of October (daily variations notwithstanding). The National region is lower by a dime, but the National cutout-adjusted reference is higher by \$3.57 due to some daily support seen in the value of the carcass. Weekly cash base reference prices are (or will be) all lower relative to week ago. The WCB is down \$1.13, National is \$4.01 lower, the National cutout-adjusted reference will be close to \$4.00 lower when the final report used in price discovery is released later today, and the USDA cutout-formula price has already been determined to be \$6.00 lower than week ago. Weekly trendlines are all lower and the high value appears to have been put in place during marketing weeks 43 and 44. However, daily variations in the value of the cutout are providing a bit of an extra boost to formula prices using cutout in a more prominent manner. For example, the National cutout-adjusted daily value is actually higher today than the previous week's average, but there are still four more days in the reporting period and one 'up day' is not indicative of a trend as the seeing in the WCB has revealed. Regardless, the uptick in cutout value is having an impact on cutout pricing and is performing exactly as it should; adding value when cutout prices improve. Lean hog futures are mixed as of this writing, but lower on average as a general trend. September export numbers from customs data (i.e. the 'good' numbers reflecting all pork product HS codes, not just primals) was released this week. While China numbers are up from August values, the levels are a stark departure from the highs seen in May of this year. During May, which was the high-water mark for this year so far, China took approximately 114,000 MT of US pork, but the September value came in at about 52,000 representing a steep decline from the highs and coming in at 'second place' relative to Mexico for the second consecutive month. Exports remain good and the export profile net all regions is showing a counter seasonal move higher (September is typically a lower period, but this year it is higher than August). It remains to be seen if this is an anomaly or an earlier start of strength returning to export markets in the fall. While the current price supports are believed to be a function of domestic pipeline refilling, exports need to remain strong in order for the support that does exist not to subside.

US soybean futures opened mixed this morning. The big news yesterday was that nearby US soybean futures were trading over \$11.00 USD/cwt since the first time since July of 2014. The move represented a reversal of the downward move that was observed on October 28 as well as a breakout from resistance levels. The nearby contract is consolidating, however and is trading in the high \$10.90s as of this writing. The market could be establishing a range heading into next week, but contracts out to July 2021 are still withing striking distance of \$11.00 presently and the January 2021 contract is still trading over that value.

US corn futures opened mixed this morning. Like beans, US corn futures are seeing a reversal of the previous pressure put in on October 28 and have been trading higher for the entirety of this week. However, the corn futures market is backing off a bit this morning and appears to be settling into the middle of a range that has yet to be fully determined. No resistance levels were breached this week, but US corn futures are once again trading over \$4.00 USD/bu out to July 2021.

US Slaughter	
490,000	Thursday
495,000	Year Ago
Daily Prices	
WCB	\$60.77
National	\$71.95
Nat'l Cutout Adj	\$77.74
Signature 4	\$166.69
BP4/TCP4	\$166.69
HyLife Cash	\$178.20
HyLife Cutout	\$192.53
BoC Rate (Noon) prev. day \$1.3051 CAD / \$0.7662 USD	
Cash Prices Week Ending November 7, 2020	
Signature 4	170.27/77.23
h@ms Cash	168.27/76.33
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	180.32/81.79
OlyWest 2020	177.40/80.47
OlyWest 2021 (Cutout)	193.30/87.68
2020 Top-Up (YTD Rolling Est.) \$17.99 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	144.30 148.69	136.86 147.04	149.59 152.60	147.46 153.71	153.01 161.72	158.37 170.16	172.71 181.26	178.35 181.72	172.45 183.09
Soymeal Del Wpg/S.Man									

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