

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, November 9, 2020

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

US Slaughter

2.713 mil.	Last Week
2.698 mil.	Year Ago

Daily Prices

WCB	\$60.38
National	\$71.49
Nat'l Cutout Adj	\$75.65
Signature 4	\$165.46
BP4/TCP4	\$165.46
HyLife Cash	\$175.88
HyLife Cutout	\$186.12

BoC Rate (Noon) prev. day
\$1.3039 CAD / \$0.7670 USD

Cash Prices Week Ending

November 7, 2020

Signature 4	170.27/77.23
h@ms Cash	168.27/76.33
HyLife Cash	179.67/81.50
HyLife Cutout	187.84/85.20
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 \$38.37 US Avg.

Feeder Pigs \$49.72 US Avg.

Forward contract prices opened mostly higher this morning. Daily US cash markets are all lower to start the week with the negotiated WCB region down \$0.39, the National region \$0.46 lower, and the National cutout-adjusted reference down by \$2.09 USD/cwt. Despite the lower bias, all cash markets are still posting values above historical benchmarks for this marketing week. In fact, cash markets have performed better than their average historical marketing week levels since week ending September 19 which is considered a counter seasonal development. Yet the market is still somewhat observing a seasonal trend; the highs appear to have been put in near marketing week 43 (week ending October 24) and all regions have been moving consistently lower as a weekly cash trend over the past couple weeks. The extent to which this pattern is maintained remains to be seen as 2020 continues to surprise. A main concern presently is that a second wave of Covid-19 and potentially more curbs on social gathering and eating sites will stall future demand further out. But there are still ideas that 'the industry' dealt with the previous backlog of hogs much better than anticipated, so some regions may see more aggressive bidding especially if some supply constraints have developed due to culling an euthanasia activity earlier. There is a lot of uncertainty in cash markets moving further into the fall. Weekly slaughter was estimated at 2.713 million head, 1.1% higher than last week but only one half of 1% higher than year ago. Weekly slaughter estimates have been tracking along the year ago trendline very tightly after Labour Day. Market watchers could expect to see an uptick in weekly slaughter numbers over the next two weeks if packers try to get ahead of the US Thanksgiving holiday where a short production week will develop two weeks from now. An announcement this morning by American pharmaceutical company Pfizer has sent all markets higher as clinical trials show a Covid-19 vaccine under development may be 90% effective – for a vaccine to be considered a successful candidate, effectiveness rates around 60% are typical. Joe Biden, the President-elect determined over the weekend, and other officials, have been cautioning that it does not necessarily mean a vaccine will be eminently available. A timeline that does see mass vaccinations in 2021 is still to be expected *IF* the vaccine is successful and approved for use. Meanwhile, some optimism has returned to all markets, including lean hogs.

US soy meal futures opened higher this morning. US soybean futures contracts out to July 2021 are all trading over \$11.00 USD /bu after breaking through resistance levels last week and ongoing positive news for the trade. Exports remain strong with China taking the lion's share of new commitments. As well, the potential for a Covid-19 vaccine to be successful and available is providing some extra support. There is still a long way to go for the Pfizer vaccine to be approved, and no one presently knows how long it will protect the recipient against the disease, especial if mutations occur in the virus. But markets are reacting positively to the news this morning.

US corn futures opened higher this morning. Like beans, US corn futures are also higher to start the week, but unlike beans, US corn futures are not registering any new highs. In fact, US corn futures still have a way to go to retrace the losses seen on October 28. While demand has been improving, and the idea that a vaccine could be successful is supportive, demand concerns in the energy sector (i.e. ethanol) are keeping further upsides in check, especially if second wave Covid-19 protocols usher in more demand destruction. Markets are already anticipating a relatively 'light' holiday travel season because people may just opt to stay home.

FC Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4	143.87 147.32	137.06 147.17	149.70 152.69	148.71 154.92	154.23 162.67	159.46 171.92	174.44 182.93	180.25 183.39	174.62 185.18
Soy meal Del Wpg/S.Man									

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STRENGTH IN NUMBERS

