h@ms MARKETING SERVICES

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, November 16, 2020

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

US Slaughter	
2.688 mil.	Last Week
2.761 mil.	Year Ago
Daily Prices	
WCB	$59.11
National	$71.26
Nat'l Cutout Adj	$72.13
Signature 4	$166.29
BP4/TCP4	$166.29
HyLife Cash	$176.28
HyLife Cutout	$178.42
BoC Rate (Noon) prev. day	$1.3147 CAD / $0.7606 USD
Cash Prices Week Ending November 14, 2020	
Signature 4	166.23/75.40
h@ms Cash	164.23/74.49
HyLife Cash	176.22/79.93
HyLife Cutout	183.51/83.24
BP4/TCP4	170.27/77.23
OlyWest 2020	167.70/76.07
OlyWest 2021 (Cutout)	183.70/83.33
2020 Top-Up (YTD Rolling Est.)	$17.75 CAD/ckg
ISO Weans $38.01 US Avg.	
Feeder Pigs $48.24 US Avg.	

Forward contract prices opened mostly lower this morning. *Daily US cash markets are lower to start the week and maintaining the downside trend that developed after marketing week 43. The daily moves have moderated in intensity compared to earlier in the month, however, perhaps suggesting an equilibrium is surfacing in a Covid-19 processing environment. The negotiated WCB is down by $0.38, the National is $0.60 lower, and while the National cutout-adjusted benchmark is down $2.64 USD/cwt due to some softness in the value of the carcass, it is still 6% higher than the cash average normally seen in this marketing week. In fact, all base prices are performing better than historical averages with WCB 18% higher and the daily National reference coming in 12% better. Last week's slaughter was estimated at 2.688 million head, a 0.9% drop compared to last week and 2.7% lower than year ago. After Labour Day, the recent pace has been tracking closely to last year's levels suggesting the Covid-19 processing 'limit' has been established for now. Since Labour Day, the slaughter pace has been -0.069% relative to year ago – put another way, this year's pace is less that one percent *lower* than 2019 over the past nine weeks. Lean hog futures are mixed-to-lower to start the week. Most news events have been priced in for now and the early premiums that developed between mid-September and mid-October have been completely reversed. The weekly Export Sales report released on Friday would have been considered quite good in a 'normal' marketing environment; physical deliveries were on pace with the recent trend which has been to see an approximate 75% improvement over the five year average since June. For the second consecutive week, new net sales came in over 40,000 MT and notably above the averages seen for their marketing weeks. But the market shrugged off the news and headed lower on Friday. Why? Domestic demand (representing over 70% of US pork disappearance) is still very much under question. Second wave Covid-19 lockdown concerns could hit restaurant and foodservice disproportionately once again. Retail (grocery) has not offset the loss in restaurant and foodservice equally. And despite low cold storage numbers, if meat buyers do not anticipate future demand strength, analysts could see some numbers that do not jive with what would otherwise be considered normal behavior.*

US soymeal futures opened higher this morning. *US soybean futures continue to trade higher, but with less vigor than seen last week. In fact, one could argue they are starting to consolidate at current levels; contracts out to August 2021 are trading over $11.00 USD/bu and over $10.00 further out. Last week's Export Sales report showed an impressive 3.210 MMT were physically delivered to all regions. New net sales came in at 1.468 MMT which is more in line with the seasonal trend but still 29% higher than the five-year average for the marketing week.*

US corn futures opened higher this morning. *Like beans, US corn futures are higher to start the week, but unlike beans, US corn is not trading at the recent highs which were (so far) put in last week. Some late week softness developed in the trade on domestic demand concerns and the weekly Export Sales report did not do much to provide more incentive. Physical deliveries were considered trendline and essentially in the middle of the range (albeit 19% higher than the average). New net sales were disappointing, coming in 63% lower than week ago and only about one half of one percent above the five-year average.*

FC Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4	144.08	130.28 140.49	143.05 146.07	143.16 149.43	148.73 157.97	154.71 169.37	171.93 180.54	177.82 181.01	173.29 183.97
Soymeal Del Wpg/S.Man									

h@ms Marketing Services will be closed

Wednesday, November 11 for Remembrance Day. Forward contracting will be suspended and the HMO and Opening Price information will not be published.

Normal business resumes on Thursday, November 12.